Form 3160-3
(July 1992)

Barry E-04-04

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

SUBMIT IN TRIPLICATE
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: NM7715

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT AGREEMENT NAME:

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐

b. TYPE OF WELL: OIL WELL ☒ GAS WELL ☐ OTHER — SINGLE ZONE ☐ MULTIPLE ZONE ☐

8. FARM OR LEASE NAME, WELL NO.: CC Federal #1

2. NAME OF OPERATOR: SDX Resources, Inc. (020451)

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9. API WELL NO.: 30-015-33546

3. ADDRESS AND TELEPHONE NO.: PO Box 5061, Midland, TX 79704 432/685-1761

10. FIELD AND POOL, OR WILDCAT: Red Lake, GL-YE

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface ~~757~~' FSL, ~~487~~' FWL
At proposed prod. zone Same 343' FSL & 633' FWL per SN attached BH

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec 8, T18S, R27E, Unit M

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 7 miles East of Artesia, NM

12. COUNTY OR PARISH: Eddy

13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
437'	40	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
NA	3500'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3369' GR

22. APPROX. DATE WORK WILL START*: 07/01/04

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8" J-55	24#	1150'~~1136'~~	575 sx
7-7/8"	4-1/2 - 5-1/2" J-55	9.5# - 17#	3500'	600 sx

Plan to drill a 12-1/4" hole to 1150'~~1136'~~. Set 24# 8-5/8" csg & cmt to surf. Drill 7-7/8" hole to 3500'. Run LDT-CNL-GR & DLL-GR OH logs. Run 5-1/2" J-55 14# csg & cmt to surf.

Will perf & stimulate the San Andres as necessary for optimum production.

Surface Use & Operations Plan
Drilling Program
H2S Plan

EXHIBITS:
1: BOP Diagram
2: Survey Plat
3: Access Maps
4: One Mile Radius Map
5: Rig Orientation Diagram
6: Letter of Responsibility

Keewah Controlled Water Basin

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED Bonnie Atwater TITLE Regulatory Tech DATE 05/28/04

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /s/ Joe G. Lara TITLE ACTING FIELD MANAGER DATE AUG 0 2 2004

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

APPROVAL FOR 1 YEAR

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No X
Type of action: Registration of a pit or below-grade tank X Closure of a pit or below-grade tank ☐

Operator: SDX Resources, Inc. Telephone: 432/685-1761 e-mail address: cmorgan@sdxresources.com
Address: PO Box 5061, Midland, TX 79704
Facility or well name: CC Federal #1 API #: U/L or Qtr/Qtr A Sec 8 T 18S R 27E
County: Eddy Latitude N32° 45'25.6" Longitude W104°18'06.3" NAD: 1927 ☐ 1983 ☐ Surface Owner Federal X State ☐ Private ☐ Indian ☐

Pit	**Below-grade tank**		
Type: Drilling X Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined X Unlined ☐ Liner type: Synthetic X Thickness 20 mil Clay ☐ Volume bbl	Volume: bbl Type of fluid: Construction material: Double-walled, with leak detection? Yes ☐ If not, explain why not.		
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points)	10
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points)	0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points)	0
	Ranking Score (Total Points)		10

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If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite ☐ offsite ☐ If offsite, name of facility. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.**
Date: 5/27/04
Printed Name/Title Chuck Morgan, Engineer Signature Chuck Morgan

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Date: 6/2/04
Printed Name/Title Mike Bratcher Compliance Officer Signature Mike Bratcher

OCD-ARTESIA

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

5. Lease Designation and Serial No.: NM-7715

6. If Indian, Allottee or Tribe Name:

7. If Unit or CA, Agreement Designation:

1. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.: CC Federal #1

2. Name of Operator: SDX Resources, Inc.

9. API Well No.:

3. Address and Telephone No.: PO Box 5061, Midland, TX 79704 432/685-1761

10. Field and Pool, or Exploratory Area: Red Lake, GL-YE

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
343' FSL, 633' FWL, Unit M
Sec 8, T18S, R27E

11. County or Parish, State: Eddy Co., NM

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
☐ Notice of Intent	☐ Abandonment	☐ Change of Plans
☒ Subsequent Report	☐ Recompletion	☐ New Construction
☐ Final Abandonment Notice	☐ Plugging Back	☐ Non-Routine Fracturing
	☐ Casing Repair	☐ Water Shut-Off
	☐ Altering Casing	☐ Conversion to Injection
	☒ Other Correct location	☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinet details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markders and zones pertinent to this work.)*

Per BLM the location for the above referenced well has been moved.

Corrected plat and access map is attached.

14. I hereby certify that the foregoing is true and correct
Signed Bonny Stewart Title Regulatory Tech Date 06/24/04

(This space for Federal or State office use)

Approved by /s/ Joe G. Lara ACTING Title FIELD MANAGER Date AUG 0 2 2004
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

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
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, N M 87505

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
	96836	Red Lake, GL-YE

Property Code	Property Name	Well Number
	C C FEDERAL	1

OGRID No.	Operation Name	Elevation
020451	SDX RESOURCES, INC,	3395

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
M	8	18-S	27-E		343	SOUTH	633	WEST	EDDY

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LAT N 32°45'21.5"
LON W 104°18'25.7"

633'
343'

OPERATOR CERTIFICATION

I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Signature: Bonnie Atwater

Printed Name: Bonnie Atwater

Title: Regulatory Tech

Date: 6/24/04

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 KNOWLEDGE AND BELIEF.

JUNE 14, 2004

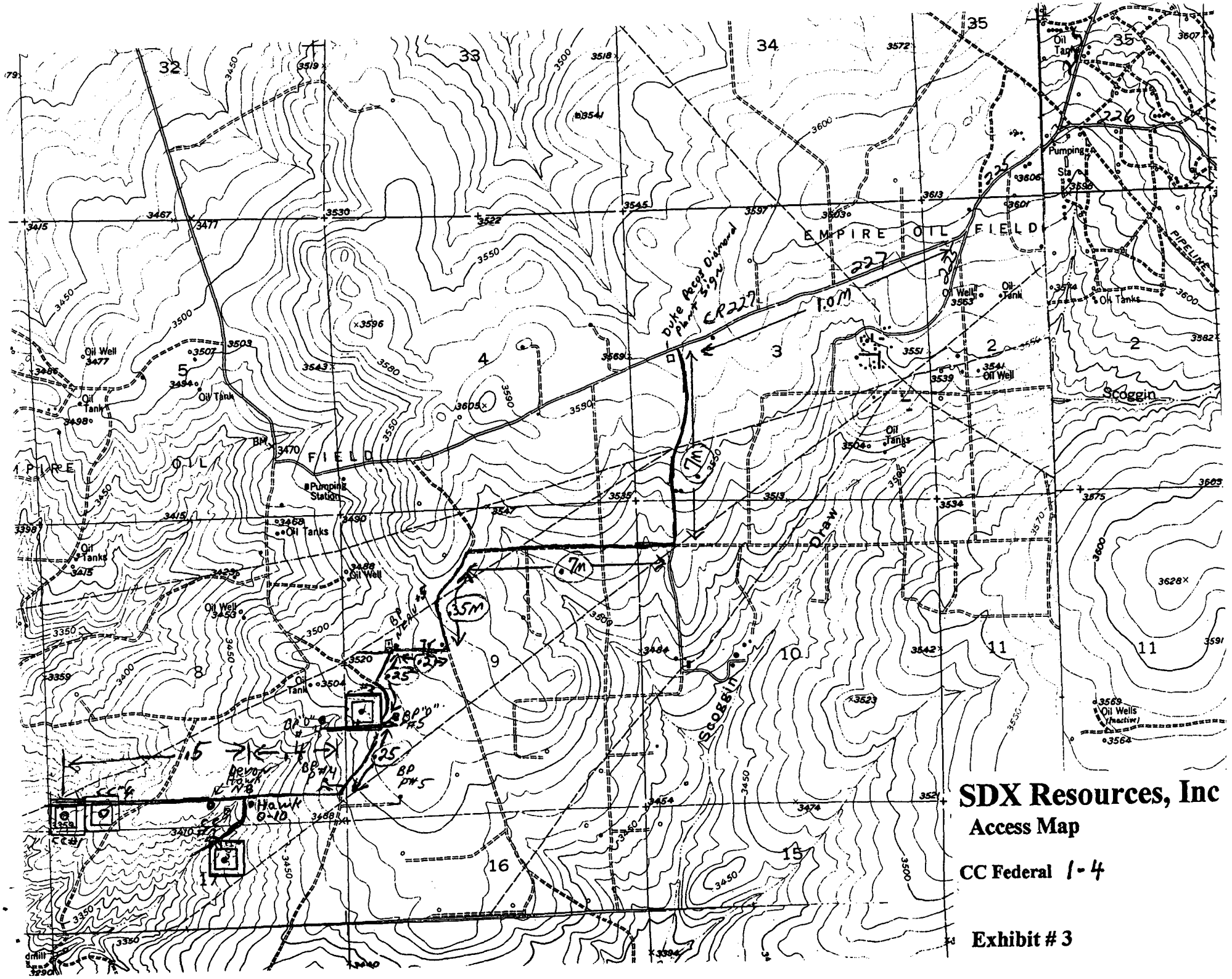
Date of Survey

GARY R. REDDY
NEW MEXICO
5412
REGISTERED PROFESSIONAL ENGINEER
LAND SURVEYOR

Signature and Seal of Professional Surveyor

NM PE&PS #5412

Certificate Number

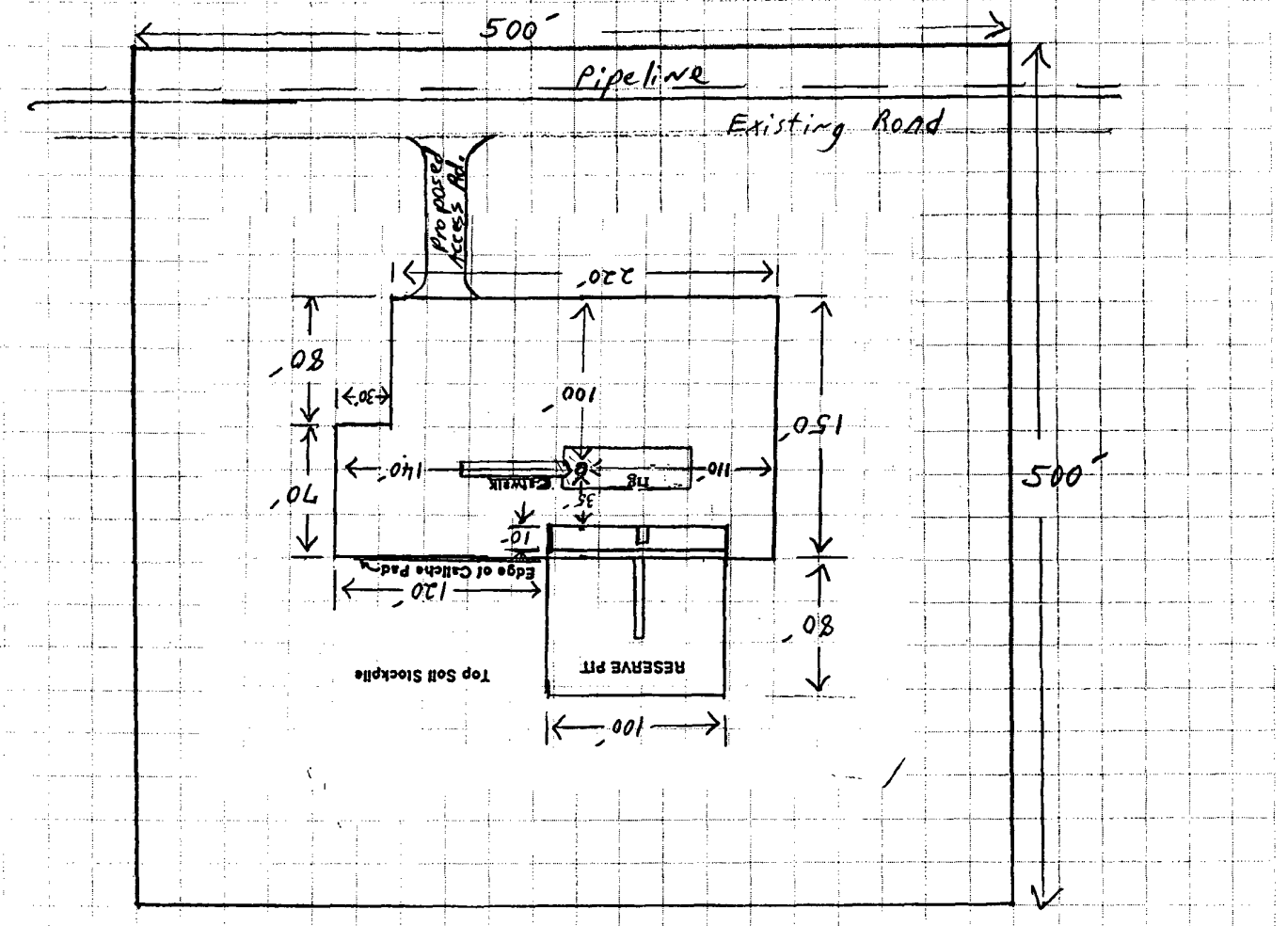


SDX Resources, Inc

Access Map

CC Federal 1-4

Exhibit # 3



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SDX Resources, Inc.

Drilling rig layout

CC Federal #1

Exhibit # 5

SURFACE USE AND OPERATIONS PLAN
SDX RESOURCES, INC.
CC Federal # 1
757' FSL, 437' FWL
Unit M, Sec. 8, T18S, R27E
Eddy Co., NM

1. Existing Roads:

A. The well site and elevation plat for the proposed well is shown in Exhibit #2. It was staked by Dan Reddy, Carlsbad, New Mexico.

B. All roads to the location are shown in Exhibits #3A-B. The existing roads are labeled and upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.

C. Directions to location: E. of Artesia on Hwy. 82. Turn S. on CR 204. Follow 204 to intersection of CR-225. Turn right or W. on CR-225. Follow road map on exhibit 3-B to location.

D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibits #3A-B shows the existing road.

~250' of new road is needed. Existing & proposed roads are shown in exhibits 3A-B.

3. Location of Existing Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities and ROW's:

A. If the well is productive:
1. The well will be tested and if commercial production exist, a battery consisting of 2-300 bbl. stock tanks, a 300 bbl. FG water tank, and a 4X20 heater treater will be constructed on the existing caliche drilling pad.

2. A Power line will be built to location and will be permitted by Central Valley Electric Company.

B. If the well is productive, rehabilitation plans are as follows:

1. The reserve pit will be back-filled after the contents of the pit are dry (within 120 days after the well is complete).

2. Topsoil removed from the drill site will be used to recontour the pit area to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

5. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud systems as outlined in the drilling program. The brine and fresh water will be obtained from commercial water stations in the area and hauled to roads shown in Exhibit #3. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and any new access road will be obtained from the drilling pits and/or on site when possible. Any additional caliche will be obtained from approved caliche pits. All roads and pads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Water Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.

B. Drilling fluids will be contained in plastic lined pits. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit, approximately 80' x100' x 6' deep, fenced, and plastic-lined (5-7 mil thickness).

C. Water produced from the well during completion may be disposed into the reserve pit. After the well is permanently placed on production, produced water will be trucked to an approved disposal site.

D. Garbage and trash produced during drilling or completion operations will be collected in a trash trailer by a contractor. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.

E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned-up within 90 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed until it has dried. When the reserve pit is dry enough to breakout and fill and as weather permits the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will be kept in use.

8. Ancillary Facilities:

None

9. Well Site Layout:

A. The drill pad layout is shown in Exhibit #5. Dimensions of the pad and pits and location of major rig components are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Because the pad is almost level no major cuts will be required.

B. Exhibit #5 shows the planned orientation for the rig and associated drilling equipment, reserve pit and access road. No permanent living facilities are planned but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.

C. The reserve pit will be lined with high-quality plastic sheeting (5-7 mil thickness).

10. Plan for Restoration of the Surface:

A. Upon completion of the proposed operation, if the well is to be abandoned, the pit area, after being allowed to dry, will be broken out and leveled. The original top soil will be returned to the entire location which will be leveled and contoured to as nearly the original topography as possible.

All trash and garbage will be hauled away in order to leave the location in an anesthetically pleasing condition. All pits will be filled and the location leveled within 120 days after abandonment.

B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.

C. The reserve pit will be fenced prior to and during drilling operations. The fencing will remain in place until the pit area is cleaned-up and leveled. No oil will be left on the surface of the fluid in the pit.

D. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from any area of the original drill site not needed for production operations or facilities will be removed and used for construction of thicker pads. Any additional caliche required for facilities will be obtained from an approved caliche pit. Topsoil removed from the drill site will be used to raconteur the pit area and any unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

BLM
Grazing Leased to:

12. Other Information:

A. The area around the well site is grassland. The vegetation is native scrub grasses with abundant catclaw and mesquite.

B. There is no permanent or live water in the immediate area.

C. An archaeological survey is being performed and will be forwarded.

13. Lessee's and Operator's Representative:

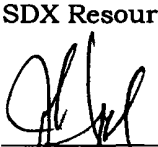
The SDX Resources Inc. representative for assuring compliance with the surface use plan is as follows:

Chuck Morgan
SDX Resources Inc.
PO Box 5061
Midland, TX 79704
432/685-1761 Office
432/685-0533 Fax

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by SDX Resources Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions which it is approved.

SDX Resources Inc.



John Pool
Vice-President

DRILLING PROGRAM
SDX Resources Inc.
CC Federal # 1
757' FSL, 437' FWL
Unit M, Sec. 8, T18S, R27E
Eddy Co., NM

1. Geologic Name of Surface Formation:

   Permian

2. Estimated Tops of Important Geologic Markers:

Queen	540'
Grayburg	990'
San Andres	1200'
Glorietta	2750'
Yeso	2900'

3. Estimated Depth of Anticipated Fresh Water, Oil or Gas:

Water Sand	150' – 200'	Fresh Water
San Andres	1700'	Oil & Gas
Yeso	3000'	Oil & Gas

Fresh water sands will be protected by running 8-5/8" casing to a minimum depth of 1150' and circulating cement. All other zones will be isolated by running 4-1/2" or 5-1/2" production casing and circulating cement.

4. Casing Program:

Hole Size	Interval	OC Csg	Weight Grade Jt Cond Type
12-1/4"	0 –1150 75	8-5/8"	24#, J55, New
7-7/8"	0 – TD	4-1/2" – 5-1/2"	9.5# - 17#, J55, Used

Cement Program:

8-5/8" Surface Casing:	Cemented to surface with 375 sx of Class C 35/65 POZ Lite and 200 sxs "C" with 2% CaCl and ¼#/sx Flocele.
5-1/2" Production Casing:	Cemented with 300 sx of Class C and 300 sx of Lite C with 6# salt/sx and ¼#/sx Flocele. This should circulate cement to the surface.

5. Minimum Specifications for Pressure Control:

   The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of an annular bag type preventer (1000 psi WP). Unit will be hydraulically operated. BOP will be nippled up on the 8-5/8" surface csg and used continuously until TD is reached. BOP and accessory equipment will be tested to 1000 psi before drilling out of surface casing. A 2" kill line and a 2" choke line will be included in the drilling spool. Other accessories to the BOP equipment will include a kelly cock.

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of fresh water and brine water mud system. The applicable depth and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Waterloss (cc)
0 – 1150	Fresh Water (spud)	8.5	40 – 45	N/C
1150 – TD	Brine water, SWG, Starch	10.0	30	24

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

A. A kelly cock will be kept in the drill string at all times.

B. A mud logging unit complete with H2S detector will be continuously monitoring drilling penetration rate and hydrocarbon shows from 1150' to TD.

8. Logging, Testing and Coring Program:

A. Drillstem tests will be run on the basis of drilling shows.

B. The electric logging program will consist of GR-Dual Laterolog and GR-Compensated Neutron-Density from TD to surface casing.

C. Conventional coring may be performed in select intervals if deemed necessary.

D. Further testing procedures will be determined after the production casing has been cemented at TD based on drill shows and log evaluation.

9. Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:

No abnormal pressure or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 94° and estimated maximum bottom-hole pressure (BHP) is 800 psig. No abnormal concentrations of hydrogen sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. All H2S operation precautions will be followed (see attached H2S drilling operations plans). No major loss circulation zones have been reported in offsetting wells.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is July 1, 2004. Once commenced, the drilling operation should be finished in approximately 10 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN
SDX Resources Inc.
CC Federal # 1
757' FSL, 437' FWL
Sec. 8, T18S, R27E, Unit M
Eddy Co., NM

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H2S).

2. The proper use and maintenance of personal protective equipment and life support system.

3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.

4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

3. The contents and requirements of the H2S Drilling Operations Plan.

4. Anticipated H2S levels are below those that would mandate an H2S Contingency Plan as required by the NMOCD.

There will be an initial safety session just prior to commencing operations on the well. The initial session shall include a review of the site's specific H2S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H2S SAFETY EQUIPEMNT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 1150'.

1. Well Control Equipment:

   A. Annular Preventer to accommodate all pipe sizes with properly sized closing unit.

2. Protective Equipment for Essential Personnel:

   A. Mark II Surviveair 30-minute units located in the dog house.

3. H2S Detection and Monitoring Equipment:

   A. 1 – portable H2S monitor positioned on location for best coverage and response.

   B. Mud logging trailer shall have H2S monitoring equipment.

4. Visual Warning Systems:

   A. Guy lines will be flagged and a wind sock will be positioned on location.

   B. Caution/Danger signs shall be posted on roads providing direct access to location.

5. Mud Program:

   The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices, will minimize hazards when penetrating H2S bearing zones.

6. Metallurgy:

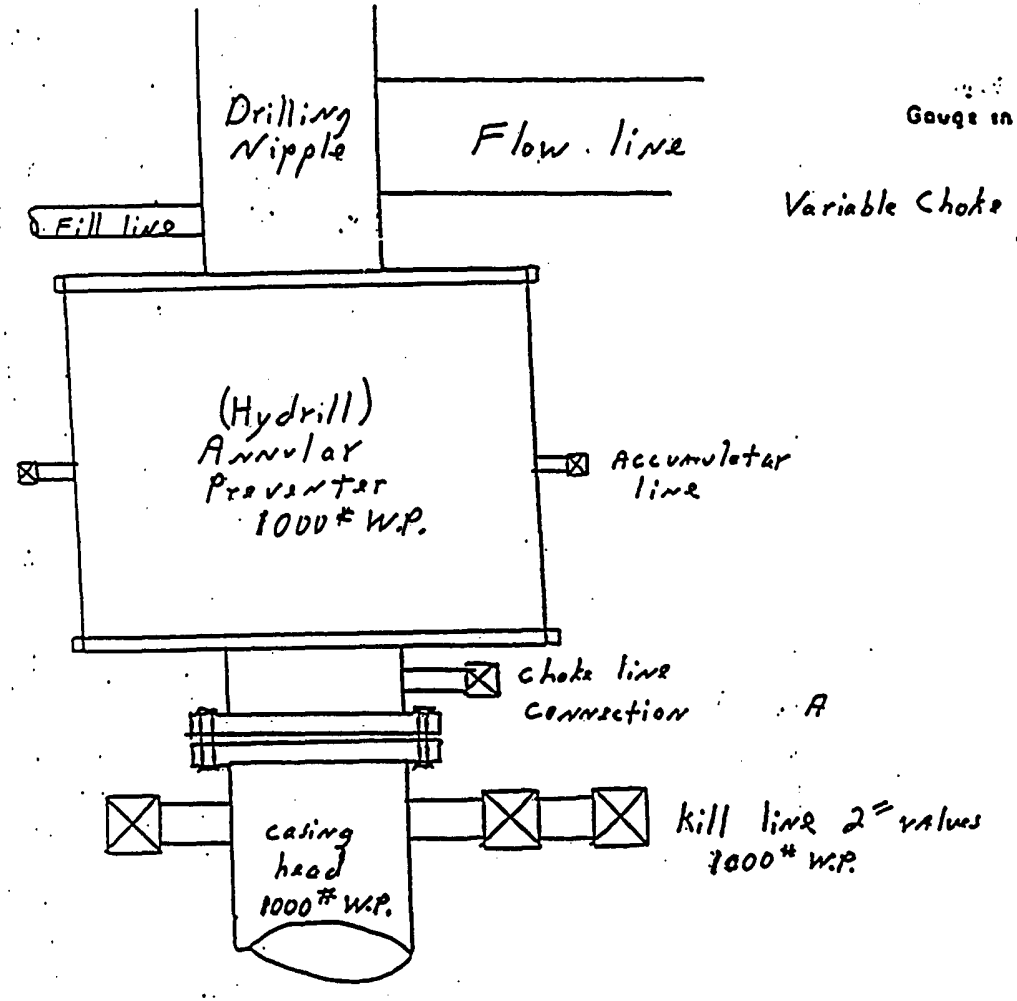
   All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service as necessary.

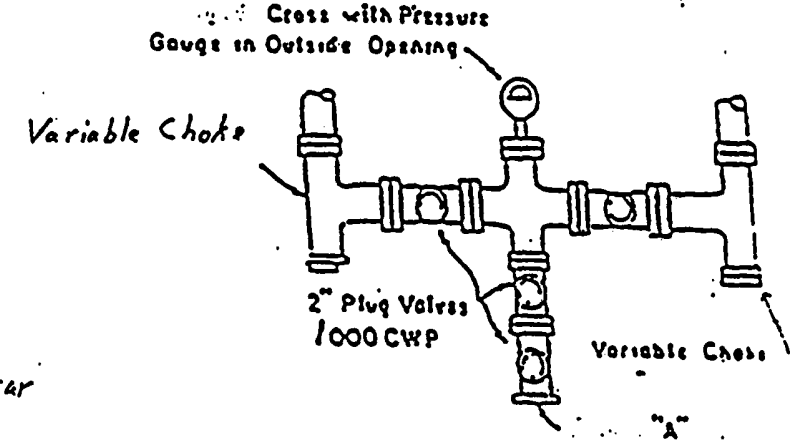
7. Communication:

   Radio communications in company vehicles including cellular telephone and 2-way radio.

8. Well Testing:

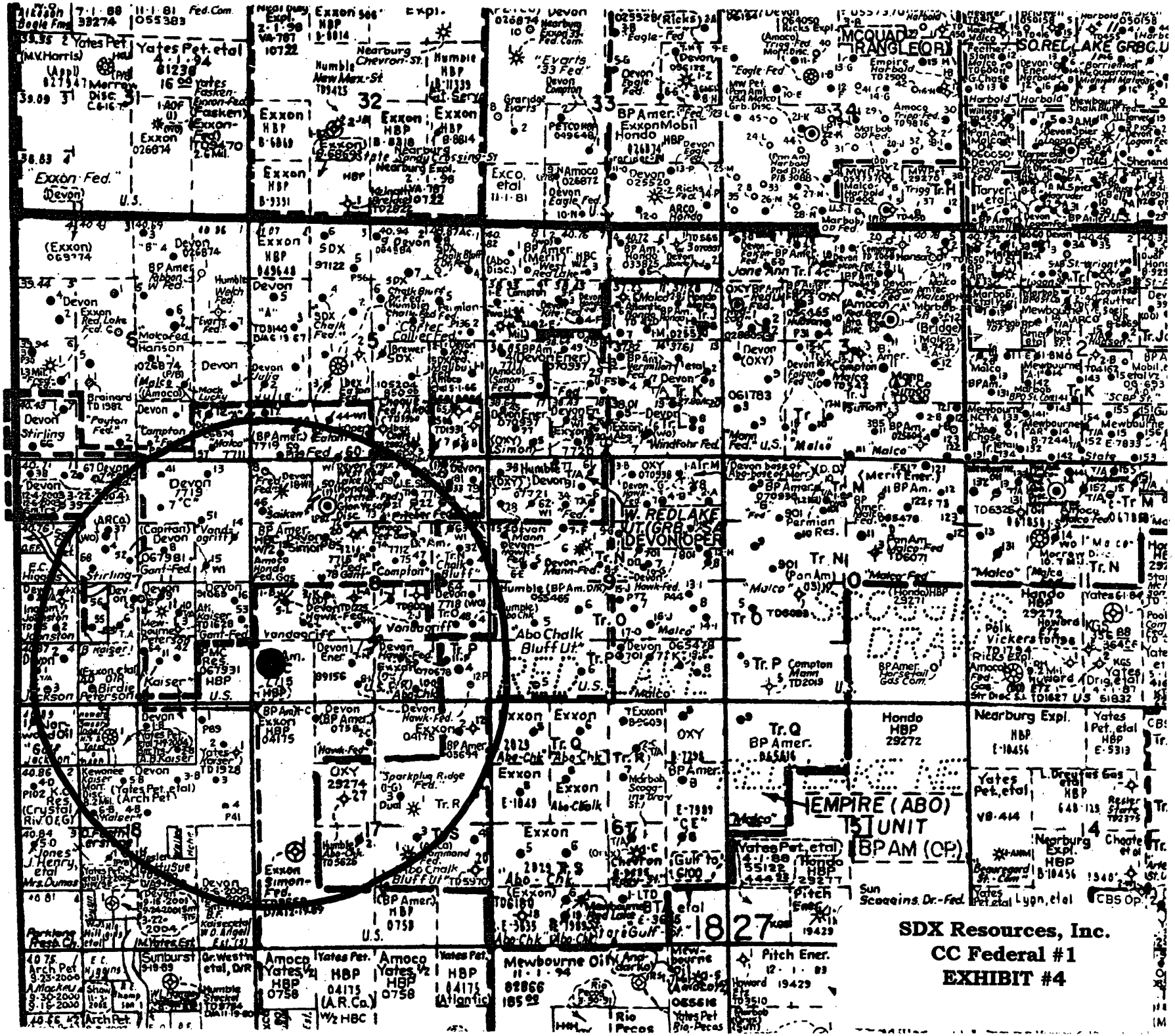
   No DST's are planned.





PLAN VIEW - CHOKE MANIFOLD

Exhibit #1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SDX Resources, Inc.
CC Federal #1
EXHIBIT #4

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

SDX Resources Inc.
PO Box 5061
Midland, TX 79704
432/685-1761

May 28, 2004

The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.:	NM-7715
Lease Name:	CC Federal #1
Legal Description of Land:	Unit M, 757' FSL 437' FWL Sec. 8, T18S, R27E Eddy Co., NM
Formation (s):	Red Lake, GL-YE
Bond Coverage:	Statewide Bond – State of New Mexico
BLM Bond File No.:	NM2307

Authorized Signature:

John Pool
Vice-President

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