

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED  
OMB No. 1004-0137  
Expires: March 31, 2007

## SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

**SUBMIT IN TRIPLICATE- Other instructions on reverse side.**1. Type of Well  
☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator  
SDX Resources, Inc.3a. Address  
PO Box 5061, Midland, TX 797043b. Phone No. (include area code)  
432-685-1761

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

910 FNL 1190 FEL  
Sec 21, T17S, R28E, Unit A

SEP 24 2007

OCD-ARTESIA

5. Lease Serial No.

NMNM-048344

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No

Pure Federal #3

9. API Well No.

30-015-35606

10. Field and Pool, or Exploratory Area  
Artesia, GL-YE (96830)

11. County or Parish, State

Eddy Co., NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Surface Commingle
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

SDX Resources, Inc. proposes to commingle production from 2 separate pools into a common surface battery on their Pure Federal Lease. The interest is identical for both pools and all facilities are located on lease. The battery is located on location with the Pure Federal #1 well which is producing from the Red Lake, QN-GB-SA pool (51300). It will be commingled with production from the Pure Federal #3 well which is producing from the Artesia, GL-YE pool (96830). Production to be allocated by a periodic test.

## Attachments:

Lease Map

Lease &amp; Pool Information

Title Statment

Well &amp; Battery Plat

Battery &amp; Tester Schematics

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Bonnie Atwater

Title Regulatory Tech

Signature

Bonnie Atwater

Date

09/10/2007

## THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/S/ DAVID R. GLASS

PETROLEUM ENGINEER

Date

SEP 20 2007

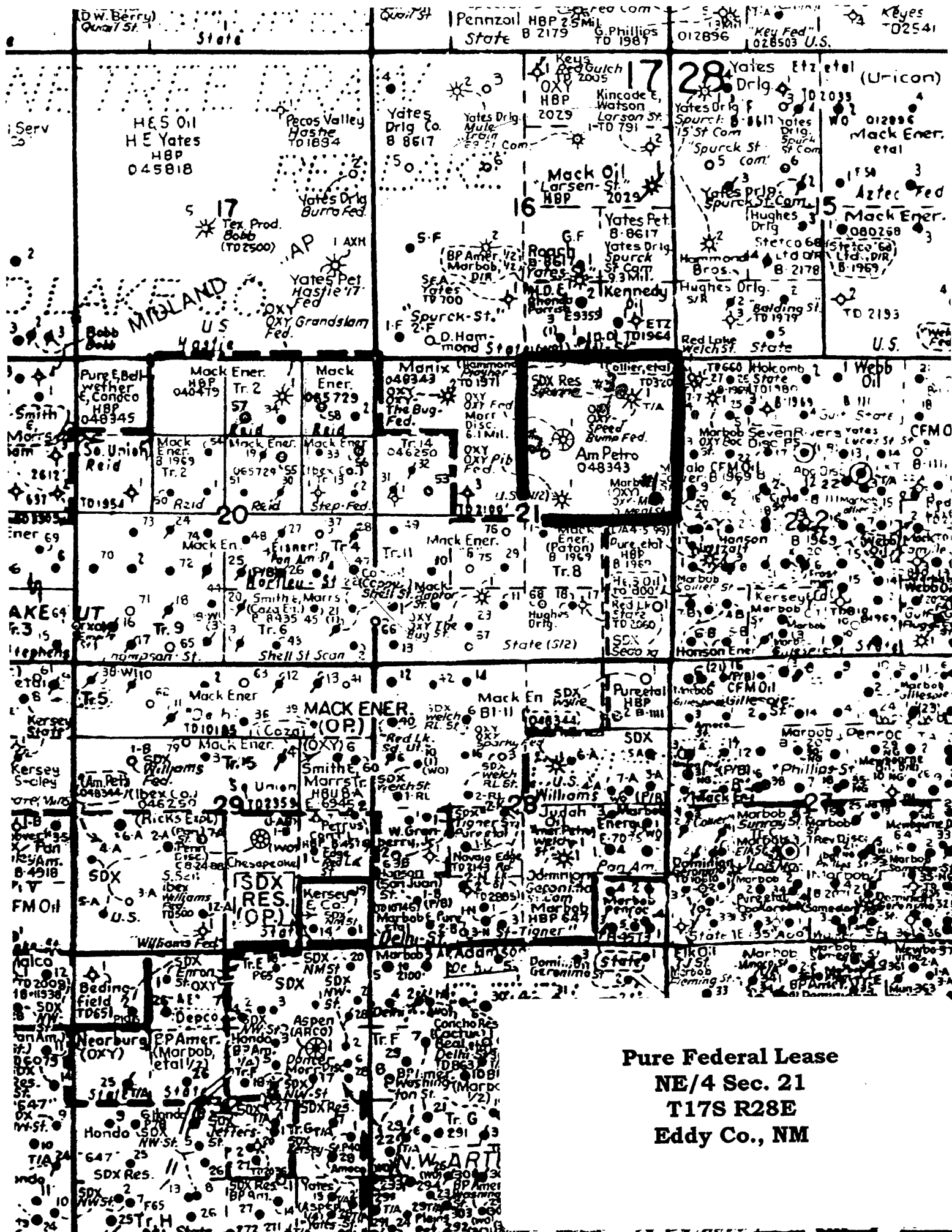
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

(Instructions on page 2)

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL



**Pure Federal Lease  
NE/4 Sec. 21  
T17S R28E  
Eddy Co., NM**

SDX Resources, Inc.  
 PURE FEDERAL  
 Sec 21, T17S, R28E  
 NMNM-048344  
 Lease & Pool Information

<b>WELL #</b>	<b>API#</b>	<b>LEGALS</b>	<b>PERFS</b>	<b>POOL</b>	<b>POOL CODE</b>	<b>EST. DAILY PROD</b>
1	35132	2310 FNL 330 FEL Unit H	1924-1930 2013-2019	Red Lake, QN-GB-SA	51300	12 BO 14 BW 10 MCF
3	35606	910 FSL 1190 FEL Unit A	3490-3498	Artesia, GL-YE	96830	14 BO 192 BW 14 MCF

Lease Description: Sec 21, T17S, R28E, NE/4, 160 acres±

Battery Description: Sec 21, T17S, R28E, Unit H, 2310' FNL 330' FEL

**ROD J. MACDONALD**  
*Attorney at Law*

Licensed in Texas  
New Mexico and Colorado

511 W. Ohio  
Suite 530  
Midland, Texas 79701

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

September 1, 2006

**ORIGINAL DRILLING TITLE OPINION**

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

Attention: Mr. Steve Sell

Re: Pure (Williams) Federal No. 1 Well - The interest owned in Federal Lease No. NM-048344, insofar as it covers the following-described land situated in Eddy County, New Mexico:

Township 17 South, Range 28 East, N.M.P.M.  
Section 21: NE/4

containing 160 acres, more or less, limited to  
depths from the surface down to 3,500 feet  
below the surface.

Gentlemen:

**BASIS OF EXAMINATION**

At your request, we have examined the following:

Examination of the Records

1. We have examined the Plat Book Records, Historical Index Records, Serial Record and Case File for Federal Lease LC 046250(b) and NM-048344, insofar as said leases cover captioned land, in the Bureau of Land Management State Office at Santa Fe, New Mexico, from inception of the records to August 23, 2006 at 8:00 a.m.
2. We have examined the records in 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 June 23, 2006 at 8:00 a.m., based upon a runsheet furnished by the Office of Steve Horn, Independent Landman.

Instruments

Copy of unexecuted Assignment Nos. 52 through 54, described below.

**FEE TITLE**

Based upon examination of the foregoing and subject to the title requirements hereinafter made, we find title to the mineral estate in captioned land to be vested as follows:

Minerals:

United States of America ..... All

Leasehold Estate:

Record Title

Chisos, Ltd. .... 7/16  
Pure Energy Group, Inc. .... 7/16  
States, Ltd. .... 1/8

Operating Rights

Edge Petroleum Exploration Company .....	18.75000% WI <sup>1,2,3,4</sup>
Pure Energy Group, Inc. ....	9.37500% WI <sup>1,2</sup>
Chisos, Ltd. ....	9.37500% WI <sup>1,2</sup>
Gretchen Nearburg, a widow .....	10.28750% WI <sup>1</sup>
Lime Rock Resources "A", L.P. ....	25.58412% WI <sup>1,5</sup>
Steve Sell, a single man .....	11.10551% WI <sup>1,5</sup>
JSTM Properties, Ltd. ....	11.10550% WI <sup>1,5</sup>
William S. Montgomery, Jr. ....	1.01267% WI <sup>1,5</sup>
Fred C. Corey, whose wife is Deborah Corey .....	1.16815% WI <sup>1,5</sup>
Charles M. Morgan, whose wife is Monica Morgan .....	1.16815% WI <sup>1,5</sup>
Eram Ali, whose wife is Vicki Ali .....	0.66333% WI <sup>1,5</sup>
Ramsey Petroleum, LP .....	0.40507% WI <sup>1,5</sup>

<sup>1</sup> These interests must bear their proportionate share of the royalty owed to the United States of America, as more particularly described in our lease analysis, below.

<sup>2</sup> These interests must bear an overriding royalty interest owned by Manix Energy, LLC, equal to the difference between 22.5% and existing burdens attributable to the interest covered by Assignment No. 45, below. The burden of this overriding royalty interest is borne by the parties listed below in the percentage set forth opposite their names:

Edge Petroleum Exploration Company	50.0%
Pure Energy Group, Inc.	25.0%
Chisos, Ltd.	25.0%

<sup>3</sup> This interest must bear an overriding royalty interest equal to 0.234375% of production from captioned land, owned by Pure Energy Group, Inc.

<sup>4</sup> This interest must bear an overriding royalty interest equal to 0.234375% of production from captioned land, owned by Chisos, Ltd.

<sup>5</sup> These interests must bear an overriding royalty interest equal to 2.0% of 12.5% of production from said lands and depths, owned by Nearburg Exploration, L.L.C. The burden of this overriding royalty interest is borne by the parties listed below in the percentage set forth opposite their names:

Lime Rock Resources "A", L.P.	49.0000%
Steve Sell	20.6665%
JSTM Properties, Ltd.	20.6665%
William S. Montgomery, Jr.	2.5500%
Fred C. Corey	2.1593%
Charles M. Morgan	2.1593%
Eram Ali	1.7784%
Ramsey Petroleum, LP	1.0200%

REQUIREMENT: Advisory.

16.

We have seen reference to a certain Operating Agreement dated August 25, 1955, between The Ibex Company, as Operator, and Plateau Oil Company, as Non-Operator, as amended July 16, 1956, and amended October 15, 1956, and supplemented on August 7, 1957, which may have covered captioned land, but which we have not examined.

REQUIREMENT: Submit for examination a copy of the above-referenced Operating Agreement, together with any amendments and/or supplements thereof.

17.

We direct your attention to the fact that this title opinion only covers oil, gas and related hydrocarbons. We note that captioned lands have been subject to certain hard rock mineral leases.

REQUIREMENT: Advisory.

18.

This opinion cannot cover such matters as area, boundaries, location on the ground or other matters which can be determined only by actual ground survey.

REQUIREMENT: You should have any well that you propose to drill on captioned land staked by a competent surveyor to ensure that it is properly located thereon.

COMMENTS

This opinion does not cover any matters not revealed by the materials examined.

The opinions expressed herein are for your sole use and benefit, and may be relied upon only by you or your counsel. They are not to be circulated, quoted or otherwise relied upon by any other party except with my prior written consent.

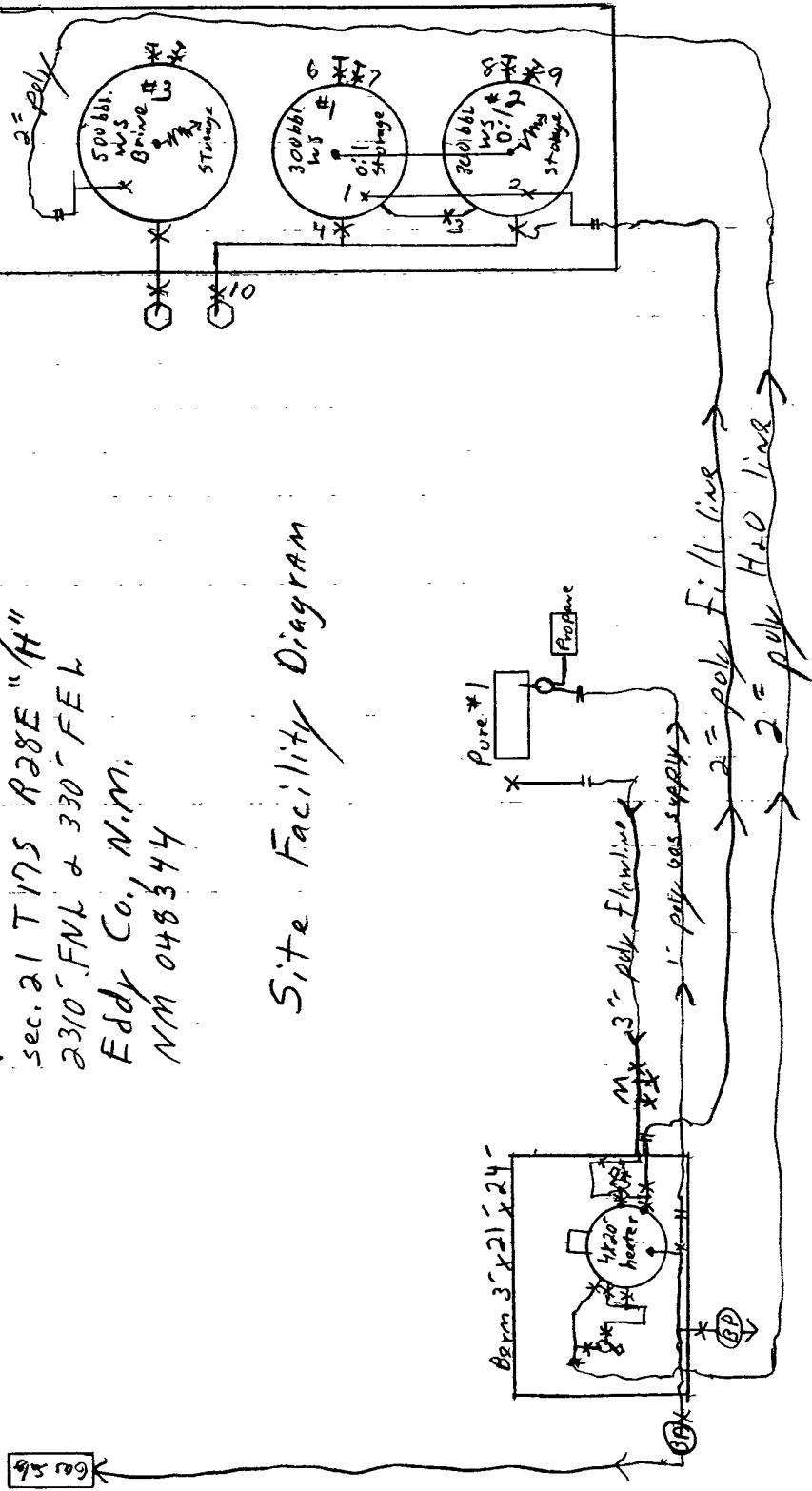
Respectfully submitted,

By: 

Rod J. MacDonald  
Attorney at Law

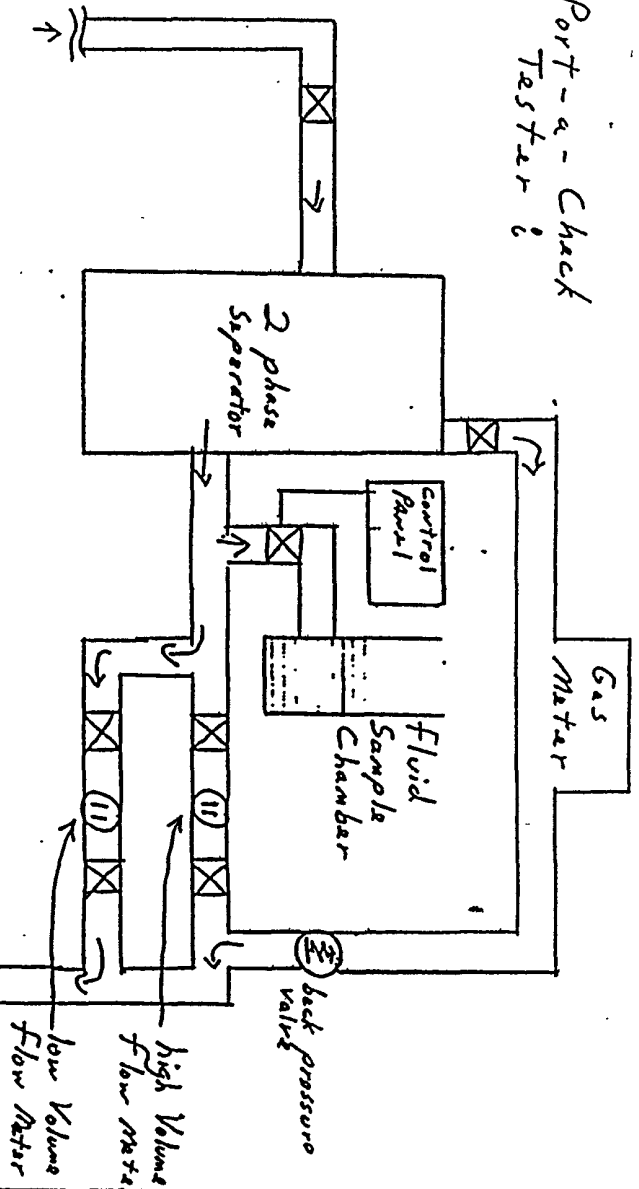
SDX Resources, Inc.  
 Pure Federal Battery  
 sec. 21 T175 R28E "H"  
 2310 FNL & 330 FEL  
 Eddy Co., N.M.  
 NM 048344

# Site Facility Diagram



Valve Positions:		
Production	Sales	
open	closed	
1/2	2/1	2/1
3	4/5	5/4
	8, 9, 10	3, 6, 7, 8, 9

Port-a-Chuck  
Tester i



Standard Well Head

Taster Inlet

Taster Outlet

Flow line to battery

Attachment



**Bureau of Land Management  
Carlsbad Field Office  
620 East Greene Street  
Carlsbad, New Mexico 88220-6292  
(505) 234-5972**

**Off-Lease Measurement, Storage, and Surface Commingling  
Conditions Of Approval**

1. This agency be notified of any change in your sales method or location of the sales meter.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval is subject to like approval by the New Mexico Oil Conservation Division.
5. Additional wells and/or leases require additional commingling approvals.
6. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days an application for right-of-way approval must be submitted to the Realty Section to this office for wells in Chaves or Roosevelt County or the BLM Carlsbad Field office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292 for wells in Eddy or Lea County if you have not already done so.