

LCX Energy, LLC

September 2, 2005

EOG Resources, Inc.
P.O. Box 2267
Midland, Texas 79702

ATTN: Mr. Rick Lanning

RE: LCX Energy, LLC – 1725 Fed Com #61
Eddy County, NM

Gentlemen:

Enclosed for your review and further handling, please find duplicate copies of an Authorization for Expenditure for drilling, completing and equipping the captioned well.

This well is being proposed as a horizontal Abo/Wolfcamp test on jointly owned acreage under the Joint Operating Agreement attached to our Leasehold Exchange and Area of Mutual Interest Agreement dated effective January 15, 2004.

Please complete the participation election in the spaces provided below and, in the event you elect to participate, by signing and dating the AFE. The appropriate documents should be forwarded by fax to my attention at 432-682-8078. Please mail the original documents to my attention at the letterhead address and your check for your proportionate part of the estimated dry hole costs if you desire to participate.

Thank you in advance for your prompt attention to this matter.

Sincerely,

LCX Energy, LLC


Frank G. Nix

Encl.

NMOCD CASE NO. 13628
MARCH 2, 2006
LCX ENERGY, LLC
EXHIBIT NO. 3

EOG Resources, Inc.
September 2, 2005
page 2 of 2

The undersigned elects to **PARTICIPATE** in drilling the captioned well. ~~Enclosed is our check for our proportionate part of the estimated dry hole costs per the AFE.~~

The undersigned elects **NOT TO PARTICIPATE** in drilling the captioned well.

EOG Resources, Inc.

by: 

Steven E. Weatherl Vice President
Printed name and title

9/28/05

LCX ENERGY, LLC

AUTHORITY FOR EXPENDITURE

LEASE & WELL NO.: 1725 Fed Com # 61
 COUNTY: Eddy
 AFE No.: LCXD5023

Lease # 8085.001

PROSPECT:
 STATE: New Mexico
 SEC 6, 17S-25E,760' FWL & 660' FNL SL, 760' FWL & 660' FSL BHL

TOTAL DEPTH: MD 9200'
 WELL TYPE: Horizontal

ITEM	IDC; ICC	DRY HOLE	COMPLETE	TOTAL
Surveys, Permits & Professional Fees	6.43	2,000		2,000
Surface Damages	6.06	10,000		10,000
Road & Location Dirtwork	6.07	35,000	3,000	38,000
Drilling Footage	Ft @ \$ [] per ft	6.11		
Drilling Daywork	30.0 day @ \$ 12,500 per day	6.13	375,000	375,000
Rig Mobilization	6.40	40,000		40,000
Pulling Unit	8 day @ \$ 2,200 per day	6.60; 7.39	17,600	17,600
Swab Rig	day @ \$ 1,000 per day	7.30		
Fuel & Lubricants	6.39	40,000		40,000
Mud, Wash Oil & Chemicals	6.12	50,000		50,000
Bits, Stabilizers & Reamers	6.08	65,000		65,000
Directional Service	MWD, motor, directional package, 11 days @ \$1000/d	6.53	110,000	110,000
Casing Crews & Equipment	6.01; 7.03	7,000	5,000	12,000
Equipment Rental	6.20; 7.12	40,000	10,000	50,000
Waterwell, Pump & Line	6.47	10,000	5,000	15,000
Water Transport	6.46; 7.17	10,000	5,000	15,000
Cement Service	Kick off plug	6.02; 7.43	51,000	35,000
Drill Stem Testing	@ \$ [] per test	6.54		
Coring & Core Analysis	ft @ \$ [] per ft	6.05		
Geological Services	6.24			
Mud Logging	15 day @ \$ 650 per day	6.33	9,800	9,800
Open Hole Log Service	6.34	16,000		16,000
Cased Hole Log Service	7.36		10,000	10,000
Perforating	TCP + Tracker	6.35; 7.35	70,000	70,000
Acid Stimulation	7.01			
Frac Stimulation	7.16		300,000	300,000
Pump Truck & Nitrogen Service	7.19		3,000	3,000
Transportation	6.32; 7.32	5,000	3,000	8,000
Contract Labor & Welding	6.04; 7.07	1,500	1,500	3,000
Tubular Inspection	6.45; 7.34			
Engineering & Wellsite Supervision	Days @ \$900/day	6.18; 7.10	27,000	7,200
Abandonment	6.55			
Environmental, Disposal & Restoration	6.56		10,000	10,000
Contingencies @ 5 %	6.88; 7.88	45,200	24,300	69,500
Subtotal:		949,500	509,600	1,459,100

LEASE & WELL EQUIPMENT

Tubulars:	Size/Wl./Grade/Thd	Footage	Price			
Conductor Pipe		ft @ \$ [] per ft	3.03			
Surface Casing	13 3/8" 48# H40	385	ft @ \$ 32.00 per ft	3.08	12,400	12,400
Intermediate Casing	9 5/8" 38# J55	1,300	ft @ \$ 26.00 per ft	3.04	33,800	33,800
Protection Liner			ft @ \$ [] per ft	4.40		
Production Casing			ft @ \$ [] per ft	4.21		
Production Liner	5 1/2" 17# N80	9,300	ft @ \$ 15.00 per ft	4.21	139,500	139,500
Production Tubing	2 3/8" 4.6# L80	4,800	ft @ \$ 4.50 per ft	4.33	21,600	21,600
Wellhead Equipment			3.08; 4.36	4,000		4,000
Flowing Tree			3.08; 4.36		3,500	3,500
Pumping Hookup			3.08; 4.36			
Liner Hanger, Packer & Tubing Anchor			4.17; 4.20		40,000	40,000
Cementing & Float equipment			3.01; 4.41	4,000	2,000	6,000
Pumping Unit w/ Base & Prime Mover			4.22			
Electrical Installation			4.15			
Rods, Subsurface Pump & Accessories			4.24; 4.28; 4.06			
Compressor & Accessories			4.05			
SWD Equipment			4.14			
Oil Storage Tanks			4.27			
SW Fiberglass Tanks			4.35		4,800	4,800
Separator			4.26		7,500	7,500
Heater-Treater			4.13			
Dehydrator/Line Heater			4.38			
Meters, Valves & Connections			4.34		3,000	3,000
Installation			4.25		3,000	3,000
Flowlines & Connections			4.34; 4.10		1,000	1,000
Gas Pipeline, Meter & Installation			4.16		133,500	133,500
Subtotal:				54,200	359,400	413,600
Grand Total:				1,003,700	869,000	1,872,700

LCX ENERGY, LLC

WORKING INTEREST PARTNER

Created By: Larry Gillette DATE: 31-Aug-05 agrees to participate for _____ % W. I.

Created By: *Larry Gillette* DATE: 9/1/05 Approved By: *[Signature]* DATE: _____

Title: *Operations Manager*

Title: _____

LCX Energy, LLC

September 2, 2005

Elger Exploration, Inc.
P.O. Box 2623
Midland, Texas 79702

ATTN: Mr. Jerry Elger

RE: LCX Energy, LLC – 1725 Fed Com #61
Eddy County, NM

Gentlemen:

Enclosed for your review and further handling, please find duplicate copies of an Authorization for Expenditure for drilling, completing and equipping the captioned well.

This well is being proposed as a horizontal Abo/Wolfcamp test on jointly owned acreage under the Joint Operating Agreement attached to our Leasehold Exchange and Area of Mutual Interest Agreement dated effective January 15, 2004.

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Thank you in advance for your prompt attention to this matter.

Sincerely,

LCX Energy, LLC



Frank G. Nix

Encl.

Elger Exploration, Inc.
September 2, 2005
page 2 of 2 _____

The undersigned elects to **PARTICIPATE** in drilling the captioned well. Enclosed is our check for our proportionate part of the estimated dry hole costs per the AFE.

The undersigned elects **NOT TO PARTICIPATE** in drilling the captioned well.

EOG Resources, Inc.

by: _____

Printed name and title

LCX ENERGY, LLC

AUTHORITY FOR EXPENDITURE

LEASE & WELL NO.: 1725 Fed Com # 61
 COUNTY: Eddy
 AFE No.: LCXD5023

Lease # 8085.001

PROSPECT:
 STATE: New Mexico
 SEC 6, 17S-25E, 760' FWL & 660' FNL SL, 760' FWL & 660' FSL BHL

TOTAL DEPTH: MD 9200'
 WELL TYPE: Horizontal

INTANGIBLE DRILLING COST			IDC; ICC	DRY HOLE	COMPLETE	TOTAL
Survey, Permits & Professional Fees			6.43	2,000		2,000
Surface Damages			6.08	10,000		10,000
Road & Location Dirtwork			6.07	35,000	3,000	38,000
Drilling Footage			6.11			
Drilling Daywork	30.0	12,500 per day	8.13	375,000		375,000
Rig Mobilization			6.40	40,000		40,000
Pulling Unit	8	\$2,200 per day	6.60; 7.39		17,600	17,600
Swab Rig		\$1,000 per day	7.30			
Fuel & Lubricants			6.39	40,000		40,000
Mud, Wash Oil & Chemicals			6.12	50,000		50,000
Bits, Stabilizers & Reamers			6.08	65,000		65,000
Directional Service			6.53	110,000		110,000
Casing Crews & Equipment			6.01; 7.03	7,000	5,000	12,000
Equipment Rental			6.20; 7.12	40,000	10,000	50,000
Waterwell, Pump & Line			6.47	10,000	5,000	15,000
Water Transport			6.46; 7.17	10,000	5,000	15,000
Cement Service			6.02; 7.43	51,000	35,000	86,000
Drill Stem Testing			6.54			
Coring & Core Analysis			6.05			
Geological Services			6.24			
Mud Logging	15	650 per day	6.33	9,800		9,800
Open Hole Log Service			6.34	16,000		16,000
Cased Hole Log Service			7.36		10,000	10,000
Perforating			6.35; 7.35		70,000	70,000
Acid Stimulation			7.01			
Frac Stimulation			7.16		300,000	300,000
Pump Truck & Nitrogen Service			7.19		3,000	3,000
Transportation			6.32; 7.32	5,000	3,000	8,000
Contract Labor & Welding			6.04; 7.07	1,500	1,500	3,000
Tubular Inspection			6.45; 7.34			
Engineering & Wellsite Supervision	Days	@ \$800/day	6.18; 7.10	27,000	7,200	34,200
Abandonment			6.55			
Environmental, Disposal & Restoration			6.56		10,000	10,000
Contingencies @ 5 %			6.98; 7.96	45,200	24,300	69,500
Subtotal:				949,500	509,600	1,459,100

LEASE & WELL EQUIPMENT		Size/Wt./Grade/Thd	Footage	Price			
Tubulars:							
Conductor Pipe				ft @ \$	per ft		
Surface Casing		13 3/8" 48# H40	385	ft @ \$ 32.00	per ft	12,400	12,400
Intermediate Casing		9 5/8" 36# J55	1,300	ft @ \$ 26.00	per ft	33,800	33,800
Protection Liner				ft @ \$	per ft		
Production Casing				ft @ \$	per ft		
Production Liner		5 1/2" 17# N80	9,300	ft @ \$ 15.00	per ft	139,500	139,500
Production Tubing		2 3/8" 4.6# L80	4,800	ft @ \$ 4.50	per ft	21,600	21,600
Wellhead Equipment						4,000	4,000
Flowing Tree							3,500
Pumping Hookup							3,500
Liner Hanger, Packer & Tubing Anchor							40,000
Cementing & Float equipment						4,000	2,000
Pumping Unit w/ Base & Prime Mover							4,000
Electrical Installation							4.22
Rods, Subsurface Pump & Accessories							4.15
Compressor & Accessories							4.24; 4.28; 4.06
SWD Equipment							4.05
Oil Storage Tanks							4.14
SW Fiberglass Tanks							4.27
Separator							4.35
Heater-Treater							4.26
Dehydrator/Line Heater							4.13
Meters, Valves & Connections							4.38
Installation							4.34
Flowline & Connections							4.25
Gas Pipeline, Meter & Installation							4.34; 4.10
Subtotal:						54,200	359,400
Grand Total:						1,003,700	869,000
							1,872,700

LCX ENERGY, LLC

Prepared By: Larry Gillette DATE: 31-Aug-05 **WORKING INTEREST PARTNER**

Approved By: *Larry Gillette* DATE: 9/1/05 By: Capstone Oil & Gas Company, L.P. % W. I.

By: *Dee Douglas* DATE: 10/6/05 By: Capstone Investments, Inc., G.P.

Title: *Operations Manager* Dale Douglas, Resident

LCX Energy, LLC

September 2, 2005

Capstone Oil & Gas Company LP
P.O. Box 10187
Midland, Texas 79702

ATTN: Mr. Dale Douglas

RE: LCX Energy, LLC – 1725 Fed Com #61
Eddy County, NM

Gentlemen:

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Sincerely,

LCX Energy, LLC



Frank G. Nix

Encl.
Capstone Oil & Gas Company LP
September 2, 2005
page 2 of 2

The undersigned elects to **PARTICIPATE** in drilling the captioned well. Enclosed is our check for our proportionate part of the estimated dry hole costs per the AFE.

The undersigned elects **NOT TO PARTICIPATE** in drilling the captioned well.

Capstone Oil & Gas Company LP

by: Capstone Investments, Inc.

by:



Dale Douglas, President

LCX ENERGY, LLC

AUTHORITY FOR EXPENDITURE

LEASE & WELL NO.: 1725 Fed Com # 61
 COUNTY: Eddy
 AFE No.: LCXD5023

Lease # 8085.001

PROSPECT:
 STATE: New Mexico
 SEC 6, 17S-25E,760' FWL & 660' FNL SL, 760' FWL & 660' FSL BHL

TOTAL DEPTH: MD 9200'
 WELL TYPE: Horizontal

INTANGIBLE DRILLING COST

			IDC; ICC	DRY HOLE	COMPLETE	TOTAL
Survey, Permits & Professional Fees			6.43	2,000		2,000
Surface Damages			6.06	10,000		10,000
Road & Location Dirtwork			6.07	35,000	3,000	38,000
Drilling Footage			6.11			
Drilling Daywork	30.0	12,500	6.13	375,000		375,000
Rig Mobilization			6.40	40,000		40,000
Pulling Unit	8	\$2,200	6.60; 7.39		17,600	17,600
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Mud, Wash Oil & Chemicals			6.12	50,000		50,000
Bits, Stabilizers & Reamers			6.08	65,000		65,000
Directional Service			6.53	110,000		110,000
Casing Crews & Equipment			6.01; 7.03	7,000	5,000	12,000
Equipment Rental			6.20; 7.12	40,000	10,000	50,000
Waterwell, Pump & Line			6.47	10,000	5,000	15,000
Water Transport			6.48; 7.17	10,000	5,000	15,000
Cement Service			6.02; 7.43	51,000	35,000	86,000
Drill Stem Testing			6.54			
Coring & Core Analysis			6.05			
Geological Services			6.24			
Mud Logging	15	650	6.33	9,800		9,800
Open Hole Log Service			6.34	16,000		16,000
Cased Hole Log Service			7.38		10,000	10,000
Perforating			6.35; 7.35		70,000	70,000
Acid Stimulation			7.01			
Frac Stimulation			7.18		300,000	300,000
Pump Truck & Nitrogen Service			7.19		3,000	3,000
Transportation			6.32; 7.32	5,000	3,000	8,000
Contract Labor & Welding			6.04; 7.07	1,500	1,500	3,000
Tubular Inspection			6.45; 7.34			
Engineering & Wellsite Supervision	Days	\$900/day	6.18; 7.10	27,000	7,200	34,200
Abandonment			6.55			
Environmental, Disposal & Restoration			6.58		10,000	10,000
Contingencies @ 5 %			6.98; 7.98	45,200	24,300	69,500
Subtotal:				949,500	509,600	1,459,100

LEASE & WELL EQUIPMENT

Tubulars:	Size/Wt./Grade/Thd	Footage	Price			
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Protection Liner			ft @ \$	per ft	4.40	
Production Casing			ft @ \$	per ft	4.21	
Production Liner	5 1/2" 17# N80	9,300	ft @ \$ 15.00	per ft	4.21	139,500
Production Tubing	2 3/8" 4.6# L80	4,800	ft @ \$ 4.50	per ft	4.33	21,600
Wellhead Equipment					3.08; 4.38	4,000
Flowing Tree					3.09; 4.36	3,500
Pumping Hookup					3.09; 4.36	
Liner Hanger, Packer & Tubing Anchor					4.17; 4.20	40,000
Cementing & Float equipment					3.01; 4.41	4,000
Pumping Unit w/ Base & Prime Mover					4.22	2,000
Electrical Installation					4.15	6,000
Rods, Subsurface Pump & Accessories					4.24; 4.28; 4.06	
Compressor & Accessories					4.05	
SWD Equipment					4.14	
Oil Storage Tanks					4.27	
SW Fiberglass Tanks					4.35	4,800
Separator					4.26	7,500
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Meters, Valves & Connections					4.34	3,000
Installation					4.25	3,000
Flowline & Connections					4.34; 4.10	1,000
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LCX ENERGY, LLC

WORKING INTEREST PARTNER

Prepared By: Larry Gillette

DATE: 31-Aug-05

Eiger Exploration Inc agrees to participate for % W. I.

Approved By: *Larry Gillette*

DATE: 9/1/05

Approved By: *John Eiger*

DATE: 10/6/05

Title: *Operations Manager*

Title: *President*

LCX Energy, LLC

September 2, 2005

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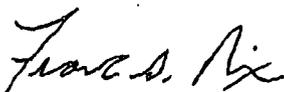
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Frank G. Nix

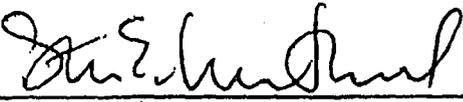
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EOG Resources, Inc.
September 2, 2005
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Steven E. Weatherl Vice President
Printed name and title

9/28/05

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Frac Stimulation			7.16		300,000	300,000
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Wellhead Equipment						
Flowing Tree			3.09; 4.36		4,000	4,000
Pumping Hookup			3.09; 4.36		3,500	3,500
Liner Hanger, Packer & Tubing Anchor			4.17; 4.20		40,000	40,000
Cementing & Float equipment			3.01; 4.41		4,000	2,000
Pumping Unit w/ Base & Prime Mover			4.22			
Electrical Installation			4.16			
Rods, Subsurface Pump & Accessories			4.24; 4.28; 4.06			
Compressor & Accessories			4.05			
SWD Equipment			4.14			
Oil Storage Tanks			4.27			
SW Fiberglass Tanks			4.35		4,800	4,800
Separator			4.28		7,500	7,500
Heater-Treater			4.13			
Dehydrator/Line Heater			4.38			
Meters, Valves & Connections			4.34		3,000	3,000
Installation			4.25		3,000	3,000
Flowline & Connections			4.34; 4.10		1,000	1,000
Gas Pipeline, Meter & Installation			4.18		133,500	133,500
Subtotal:					54,200	359,400
Grand Total:					1,003,700	869,000
					1,872,700	

LCX ENERGY, LLC **WORKING INTEREST PARTNER**

Prepared By: Larry Gillette DATE: 31-Aug-05
 agrees to participate for 3.22575% W. I.

Approved By: *Larry Gillette* DATE: 9/1/05 Approved By: *Eric A. Bayley* DATE: 9/27/05

Title: *Operations Manager* Title: *VP*



PARALLEL

Petroleum Corporation

P.O. Box 10587 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

ERIC A. BAYLEY, P.E.
Vice President -
Corporate Engineering

September 30, 2005

LCX Energy, LLC
ATTN: Frank G. Nix
110 N. Marienfeld, Suite 200
Midland, Texas 79701

RE: Multiple AFE's
Eddy County, New Mexico

Dear Frank:

Enclosed are the executed AFE's you sent Parallel by your letter of September 2, 2005. Parallel intends to participate in these wells to the full extent of its interest. I have indicated the interest we believe to be correct on the AFE's but realize it might be subject to change.

I will send checks to cover the pre-payments on the first two wells as soon as it has been determined which are to be drilled next. Thereafter, Parallel will send additional pre-payments approximately two weeks prior to a rig moving in on a well.

Sincerely,

bayley@parallel-petro.com
www.parallel-petro.com



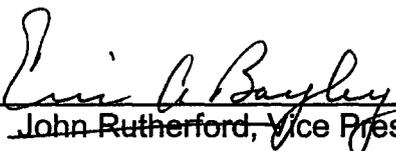
Parallel Petroleum Corporation
September 2, 2005
page 2 of 2

The undersigned elects to **PARTICIPATE** in drilling the captioned well. Enclosed is our check for our proportionate part of the estimated dry hole costs per the AFE.

The undersigned elects **NOT TO PARTICIPATE** in drilling the captioned well.

Parallel Petroleum Corporation

by:


John Rutherford, Vice President

