

Confirmation Report - Memory Send

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Job number : 550
Date : Nov-23 03:36pm
To : 14055528113--999
Number of pages : 004
Start time : Nov-23 03:36pm
End time : Nov-23 03:37pm
Pages sent : 004
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Job number : 550

*** SEND SUCCESSFUL ***

LCX Energy, LLC
Attn: Frank G. Nix
110 N. Marionfield, Suite 200
Midland, Texas 79701
Phone: 432-687-1675
Fax: 432-687-6874



Fax

To: Meg Muhlinghaus From: Frank G. Nix 432-648-0221
Fax: 405-552-8113 Pages: Cover + 3
Phone: 405-228-4416 Date: 11/23/2005
Re: 1725 Fed Com #81 CCI

Urgent For Review Please Comment Please Reply Please Recycle

Comments:

Meg,

I apologize for the delay in getting you a written response, as we discussed by phone and by phone messages, I was waiting on a response from our outside counsel, two and a half weeks have gone by and no response, so we have now found someone else.

Herewith, please find our AFE and offer to participate in the 1725 Fed Com #81. I hope your management will want to join us in this well.

Thanks
Frank

LCX Energy, LLC
Attn: Frank G. Nix
110 N. Marienfeld, Suite 200
Midland, Texas 79701
Phone: 432-687-1575
Fax: 432-687-5874

LCX ENERGY, LLC

Fax

To: Meg Muhlinghause	From: Frank G. Nix 432-848-0221
Fax: 405-552-8113	Pages: Cover + 3
Phone: 405-228-4416	Date: 11/23/2005
Re: 1725 Fed Com #61	CC:

Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

● **Comments:**

Meg,

I apologize for the delay in getting you a written response, as we discussed by phone and by phone messages, I was waiting on a response from our outside counsel, two and a half weeks have gone by and no response, so we have now found someone else.

Herewith, please find our AFE and offer to participate in the 1725 Fed Com #61. I hope your management will want to join us in this well.

Thanks
Frank

LCX Energy, LLC

November 23, 2005

VIA FACSIMILE AND CERTIFIED MAIL

Devon Energy Production Company, L.P.
Attn: Meg Muhlinghouse
20 N. Broadway St. 1500
Oklahoma City, OK 73102

RE: Participation
LCX Energy, LLC – 1725 Fed Com #61
W/2 Section 6, T17S, R25E
Eddy County, New Mexico

Dear Ms. Muhlinghouse:

Per our conversation, LCX Energy, LLC is the operator under the LCX Energy, LLC – 1625 State Com #201 well captioned above. This is a horizontal Wolfcamp well located in the W/2 W/2 of Section 20, T16S, R25E, Eddy County, New Mexico as more specifically described on the AFE. Devon owns a 120.0 net acre leasehold interest in Lot 3 and the E/2 SW/4 of Section 6, which falls within the spacing unit for our 1625 Fed Com #61. LCX Energy, LLC proposes Devon join us in the drilling of this well.

Enclosed for your review and further handling, please find duplicate copies of an Authorization for Expenditure for drilling, completing and equipping the captioned well. Should you decide to join in the drilling of this well, then please sign and return one copy of this letter and the enclosed AFE. We will then prepare a Joint Operating Agreement for your review.

In the alternative, should you not wish to participate, we propose (1) a term assignment of your interest for \$75.00 per net acre for a 75% net revenue interest one-year term assignment or (2) a farmout of your leasehold interest with Devon retaining the difference between existing leasehold burdens and 25% as an overriding royalty interest with the option to convert the retained override to a 25% working interest at payout of the well, proportionately reduced to Devon's leasehold interest in the 320 acre unit.

Please fax the signed letter and AFE to my attention at 432-687-2521 and mail the original document to my attention at the letterhead address.

Thank you in advance for time and consideration in this matter.

Very truly yours,

LCX Energy, LLC



Frank G. Nix
Encl.

RE: Participation
LCX Energy, LLC – 1725 Fed Com #61
W/2 Section 6, T17S, R25E
Eddy County, New Mexico

The undersigned elects to **PARTICIPATE** in drilling the captioned well.

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

In the alternative to participation:

The undersigned elects to take the term assignment alternative option (1) set out above.

The undersigned elects to take the farmout alternative option (2) set out above.

Devon Energy Production Company, L.P.

By: _____

Name: _____

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			6.06	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		17,800	17,800
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 @ \$10000/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	86,000
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 + Tractor		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	6.16; 7.10	27,000	7,200	34,200
Abandonment			6.55			
Environmental, Disposal & Restoration			6.56		10,000	10,000
Contingencies @ 5%			6.96; 7.98	45,200	24,900	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	3.03		
Surface Casing	19 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				3.09; 4.38	4,000	4,000
Flowing Tree				3.09; 4.38		3,500
Pumping Hookup				3.09; 4.38		
Liner Hanger, Packer & Tubing Anchor				4.17; 4.20		40,000
Cementing & Float equipment				3.01; 4.41	4,000	2,000
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
Flowline & Connections				4.34; 4.10	1,000	1,000
Gas Pipeline, Meter & Installation				4.18	10,000	10,000
Subtotal:					54,200	235,900
Grand Total:					1,003,700	1,749,200

<p style="text-align: center;">LCX ENERGY, LLC</p> <p>Prepared By: <u>Larry Gillette</u> DATE: <u>23-Sep-05</u></p> <p>Approved By: <u><i>[Signature]</i></u> DATE: <u>10/3/05</u></p> <p>Title: _____</p>	<p style="text-align: center;">WORKING INTEREST PARTNER</p> <p>agrees to participate for _____ % W. I.</p> <p>Approved By: _____ DATE: _____</p> <p>Title: _____</p>
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