

# LCX Energy, LLC



January 6, 2006

Ms. Meg Mulinghause  
Land Advisor  
Devon Energy Corporation  
20 North Broadway  
Oklahoma City, OK 73102-8260

Re: LCX Energy LLC 1725 Fed Com No. 61  
W/2 Sec. 6, T-17-S, R-25-E, N.M.P.M.  
Eddy County, New Mexico

Dear Ms. Mulinghause,

Thank you for your December 6, 2005 letter on the above well. As you have correctly noted, the references to the 1625 State Com No. 201 are the result of a word processing error and should be disregarded.

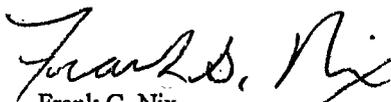
As before, LCX reiterates its request for Devon to voluntarily participate in the 1725 Fed Com No. 61 well. Toward that end, we are enclosing an itemization of actual drilling costs incurred to date and daily drilling reports. The well has reached total depth, but LCX has temporarily delayed completion of the well to allow Devon the opportunity to indicate whether it will join in the well. Please have Devon indicate its intentions in the next ten days by signing and returning the enclosed operating agreement. On receipt of Devon's share of estimated drilling and completion costs, we will provide you with copies of the title opinion for the spacing unit and well logs.

It is our preference to obtain Devon's voluntary participation in the well rather than to seek its compulsory joinder. Further, in these circumstances, there is no realistic basis for the suggestion that operations should be transferred to Devon. In our view, to ask the Oil Conservation Division to assume the burden of resolving a dispute over operations in this case is both unwarranted and unnecessary. In this regard, Devon is specifically requested to discontinue further interference with the contractual relationships between LCX and the other non-operating working interest owners in the well.

We look forward to working with you to resolve this matter. Should you wish to discuss further, please do not hesitate to call me.

Sincerely,

LCX Energy, LLC

  
Frank G. Nix  
Landman

Encl.

NMOCD CASE NO. 13628  
MARCH 2, 2006  
LCX ENERGY, LLC  
EXHIBIT NO. 7

**MODEL FORM OPERATING AGREEMENT**

OPERATING AGREEMENT

DATED

October 1 , 2005 ,  
year

OPERATOR LCX Energy, L.L.C.

CONTRACT AREA W/2 Section 6, Township 17 South, Range 25 East, from surface to the  
Stratigraphic equivalent of 4,918 feet identified by the Schlumberger Compensated  
Neutron Density Log for the Mesa Petroleum Co. Catchlaw State No. 1 Well located 1,980  
feet FNL and 1,980 feet FEL of Section 31, T-17-S, R-24-E, N.M.P.M., Eddy County,  
New Mexico.

COUNTY OR PARISH OF EDDY , STATE OF NEW MEXICO

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AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 4100 FOSSIL CREEK BLVD.  
FORT WORTH, TEXAS, 76137, APPROVED FORM.

**EXHIBIT "A"**

Attached to and made a part of that certain Operating Agreement dated October 1, 2005 by and between LCX ENERGY, LLC, as Operator and Devon Energy Production Company, L.P., et al, as Non-operators

**LCX Energy, LLC – 1725 Fed-Com No. 61**

**1. DESCRIPTION OF LANDS SUBJECT TO THIS AGREEMENT:**

All of the W/2 of Section 6, T-17-S, R-25-E, NMPM, Eddy County, New Mexico, containing 319.94 acres, more or less; and limited to the depths described in paragraph 2, next below.

**2. RESTRICTIONS, IF ANY, AS TO DEPTHS, FORMATIONS OR SUBSTANCES:**

All depths from the surface down to the stratigraphic equivalent of the base of the Horizontal Target Objective. The Horizontal Target Objective is the Abo/Wolfcamp formation, being found at that interval from a subsurface depth of 3,725 feet down to 4,918 feet as identified by the Schlumberger Compensated Neutron Formation Density Log for the Mesa Petroleum Co. Catclaw State No. 1 well located 1,980 feet FNL and 1,980 feet FEL of Section 31, T-17-S, R-24-E, NMPM, Eddy County, New Mexico.

**3. PARTIES TO THE AGREEMENT:**

LCX ENERGY, LLC  
110 N. Marlenfeld, Suite 200  
Midland, Texas 79701  
Telephone : 432-687-1575

Capstone Oil & Gas Company, L.P.  
P.O. Box 10187 (79702)  
203 W. Wall Street, Suite 1201  
Midland, Texas 79701  
Telephone: 432-682-5565

Parallel Petroleum Corporation  
1004 N. Big Spring, Suite 400  
Midland, Texas 79701  
Telephone: 432-684-3727

CMW Interests, Inc.  
24 Smith Road, Suite 405  
Midland, Texas 79705  
Telephone: 432-349-6267

Elger Exploration, Inc.  
P.O. Box 2623  
Midland, Texas 79702  
Telephone: 432-687-0344

EOG Resources, Inc.  
P.O. Box 2267  
Midland, Texas 79702  
Telephone: 432-686-3730

Devon Energy Corporation  
20 North Broadway  
Oklahoma City, OK 73102-8260  
Telephone: 405-228-4416

Dorchester Minerals Operating LP  
3838 Oak Lawn Avenue Suite 300  
Dallas, TX 75219-4541  
Telephone: 214-559-0300

**4. PERCENTAGES OR FRACTIONAL INTERESTS OF THE PARTIES TO THIS AGREEMENT:**

OWNER	Working Interest Before Payout	Working Interest After Payout
LCX ENERGY, LLC * **	35.287717%	35.204229%
PARALLEL PETROLEUM CORPORATION * **	3.920857%	3.911581%
CAPSTONE OIL & GAS COMPANY, L.P. * **	5.765967%	5.752325%
CMW INTERESTS, INC. * **	0.000000%	0.144149%
ELGER EXPLORATION, INC. * **	0.576597%	0.575232%
EOG RESOURCES * **	15.375911%	15.339533%
DEVON ENERGY CORPORATION	37.510158%	37.510158%
DORCHESTER MINERALS OPERATING LP	1.562793%	1.562793%
<b>TOTAL</b>	<b>100.00000%</b>	<b>100.00000000%</b>

\* Parties to a Leasehold Exchange and Area of Mutual Interest Agreement dated January 15, 2004 providing for a 25% backin at payout.

**\*\* Parties to a Leasehold Exchange and Area of Mutual Interest Agreement  
dated January 15, 2004 naming LCX Energy, LLC as Operator.**

**5. OIL AND GAS LEASES AND/OR OIL AND GAS INTERESTS:**

**Tract No. 1**

Lease Recording Information:	Book 502, Page 453, Correction in Book 531, Page 427
Lease Date:	February 19, 2003
Lease Term:	Three (3) years
Lessor:	Sarah Lew Link Grimes
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	22.5%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 502, Page 454, Correction in Book 531, Page 428
Lease Date:	February 3, 2003
Lease Term:	Three (3) years
Lessor:	Matthews-Link Properties, Ltd.
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	22.5%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 488, Page 880
Lease Date:	November 12, 2002
Lease Term:	Three (3) years
Lessor:	Charles D. Vertrees, Jr.
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	15.625%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	6.3750%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information: Book 488, Page 886  
 Lease Date: November 12, 2002  
 Lease Term: Three (3) years  
 Lessor: Ralph W. Vertrees  
 Original Lessee: M. Craig Clark  
 Present Lessee: EOG Resources, Inc., et al  
 Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico

No. of Acres: 80.00  
 Royalty Rate: 15.625%

Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\*  
 Jerry B. Elger, et ux 0.7500%\*\*  
 EOG Resources, Inc. 6.3750%\*

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%  
 CMW Interests, Inc. 0.9375%  
 Elger Exploration, Inc. 0.9375%

Lease Recording Information: Book 618, Page 490  
 Lease Date: October 3, 2005  
 Lease Term: Two (2) years  
 Lessor: Dorchester Minerals Operating L.P.  
 Original Lessee: LCX Energy, LLC  
 Present Lessee: LCX Energy, LLC, et al  
 Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico

No. of Acres: 80.00  
 Royalty Rate: 25%

Name and Percent ORRI Owners: None

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%  
 CMW Interests, Inc. 0.9375%  
 Elger Exploration, Inc. 0.9375%

Lease Recording Information: Book 480, Page 726, Amendment in Book 492, Page 360  
 Lease Date: November 1, 2002  
 Lease Term: Three (3) years  
 Lessor: E. L. Latham Co., a New Mexico partnership  
 Original Lessee: M. Craig Clark  
 Present Lessee: EOG Resources, Inc., et al  
 Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico

No. of Acres: 80.00  
 Royalty Rate: 18.75%

Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\*  
 Jerry B. Elger, et ux 0.7500%\*\*  
 EOG Resources, Inc. 3.2500%\*

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%  
 CMW Interests, Inc. 0.9375%  
 Elger Exploration, Inc. 0.9375%

Lease Recording Information: Book 485, Page 309, Amendment in Book 492, Page 376  
 Lease Date: November 1, 2002  
 Lease Term: Three (3) years  
 Lessor: Mumford & Company, a New Mexico partnership  
 Original Lessee: M. Craig Clark  
 Present Lessee: EOG Resources, Inc., et al  
 Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico  
 No. of Acres: 80.00  
 Royalty Rate: 18.75%

Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\*  
 Jerry B. Elger, et ux 0.7500%\*\*  
 EOG Resources, Inc. 3.2500%\*

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%  
 CMW Interests, Inc. 0.9375%  
 Elger Exploration, Inc. 0.9375%

Lease Recording Information: Book 506, Page 1129  
 Lease Date: March 17, 2003  
 Lease Term: Three (3) years  
 Lessor: Wells Fargo Bank New Mexico, N.A., Trustee of the CBF Company  
 Original Lessee: EOG Resources, Inc.  
 Present Lessee: EOG Resources, Inc., et al  
 Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico  
 No. of Acres: 80.00  
 Royalty Rate: 18.75%

Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\*  
 Jerry B. Elger, et ux 0.7500%\*\*  
 EOG Resources, Inc. 3.2500%\*

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%  
 CMW Interests, Inc. 0.9375%  
 Elger Exploration, Inc. 0.9375%

Lease Recording Information: Book 574, Page 001  
 Lease Date: September 23, 2004  
 Lease Term: Three (3) years  
 Lessor: Richard Lyons Moore, Individually and as Co-Trustee for the Stephen Scott Moore Testamentary Trust, and Michael Harrison Moore, Individually and as Co-Trustee for the Stephen Scott Moore Testamentary Trust  
 Original Lessee: Gary W. Stoltz  
 Present Lessee: LCX Energy, LLC, et al  
 Description of Land Committed: Insofar and only insofar as said lease covers the Lots 1, 2 & 4 and the E/2 NW/4 of Section 31, T-16-S, R-25-E, Eddy County, New Mexico  
 No. of Acres: 200.19 Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico  
 No. of Acres: 80.00  
 Royalty Rate: 25%

Name and Percent ORRI Owners: None

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%

CMW Interests, Inc.	0.9375%
Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 208, Page 458, Amendment in Book 502, Page 460
Lease Date:	February 10, 2003
Lease Term:	Three (3) years
Lessor:	Helen Gates Maxwell
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	18.75%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 492, Page 373
Lease Date:	January 31, 2003
Lease Term:	Three (3) years
Lessor:	Virginia Gates Irish
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	18.75%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 485, Page 281, Amendment in Book 502, Page 457
Lease Date:	October 29, 2002
Lease Term:	Three (3) years
Lessor:	Virgine Gates, Trustee of the Wallace and Vergine Family Trust u/t/a dated 4/29/87
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	18.75%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information: Book 502, Page 461  
 Lease Date: February 3, 2003  
 Lease Term: Three (3) years  
 Lessor: John W. Gates, LLC  
 Original Lessee: M. Craig Clark  
 Present Lessee: EOG Resources, Inc., et al  
 Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico  
 No. of Acres: 80.00  
 Royalty Rate: 18.75%

Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\*  
 Jerry B. Elger, et ux 0.7500%\*\*  
 EOG Resources, Inc. 3.2500%\*

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%  
 CMW Interests, Inc. 0.9375%  
 Elger Exploration, Inc. 0.9375%

Lease Recording Information: Book 618, Page 498  
 Lease Date: September 27, 2005  
 Lease Term: Eighteen (18) months  
 Lessor: Gates Properties, Ltd.  
 Original Lessee: LCX Energy, LLC  
 Present Lessee: LCX Energy, LLC, et al  
 Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico  
 No. of Acres: 80.00  
 Royalty Rate: 25%

Name and Percent ORRI Owners: None

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%  
 CMW Interests, Inc. 0.9375%  
 Elger Exploration, Inc. 0.9375%

**Tract No. 2**

Lease Serial Number: NM NM 93181  
 Lease Date: June 1, 1994  
 Lease Term: Ten (10) years  
 Lessor: United States of America  
 Original Lessee: Enron Oil & Gas Co.  
 Present Lessee: EOG Resources, Inc.  
 Description of Land Committed: Insofar and only insofar as said lease covers Lots 6 & 7 and the SE/4 NW/4 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico  
 No. of Acres: 119.93  
 Royalty Rate: 12.5%

Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\*  
 Jerry B. Elger, et ux 0.7500%\*\*  
 EOG Resources, Inc. 7.1250%\*

Name and Percent WI Owner: LCX Energy, LLC 57.3750%  
 EOG Resources, Inc. 25.0000%  
 Capstone Oil & Gas Company, LP 9.3750%  
 Parallel Petroleum Corporation 6.3750%  
 CMW Interests, Inc. 0.9375%  
 Elger Exploration, Inc. 0.9375%

**Tract No. 3**

Lease Serial Number:	NM NM 100832
Lease Date:	June 1, 1998
Lease Term:	Ten (10) years
Lessor:	United States of America
Original Lessee:	Perry & Perry, Inc.
Present Lessee:	Devon Energy Production Company, L . P.
Description of Land Committed:	Insofar and only insofar as said lease covers Lot 3 and the E/2 SW/4 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	120.01
Royalty Rate:	12.5%
Name and Percent ORRI Owners:	None
Name and Percent WI Owner:	Devon Energy Production Company, L . P. 100.000%

**6. BURDENS ON PRODUCTION:**

**LEASE ROYALTY:**

**SEE INDIVIDUAL LEASES ABOVE**

**OVERRIDING ROYALTY:**

**SEE INDIVIDUAL LEASES ABOVE**