

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION LCX ENERGY, LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13603

**DEVON ENERGY CORPORATION'S
RESPONSE TO MOTION TO QUASH**

LCX Energy LLC drilled the 1725 Federal Com Well No. 61 ("the Well") without either contacting Devon Energy Corporation, which owns 120-acres of oil and gas leases in the well spacing unit, or giving Devon the opportunity to participate in the well. This is not the first time LCX has drilled without even contacting other owners in the spacing unit dedicated to the well.

When Devon learned of the Well, it requested data from LCX but none was provided. To obtain a well Proposal and cost estimate on the Well, Devon had to file a compulsory pooling application and Devon further has had to obtained a subpoena from the Division for well information. Devon seeks information that LCX obtained by drilling the Well on the spacing unit in which Devon owns an interest. Unless the LCX well is a dry hole, Devon will pay its share of the drilling costs either directly or by having its share of these costs withheld out of production once pooling occurs. If the well is a dry hole, LCX took this risk by drilling before contacting the other owners in the spacing unit and giving them an opportunity to share the costs and otherwise participate in the decisions concerning the development of this spacing unit.

After Devon filed its pooling application, LCX filed its own compulsory pooling application seeking an order pooling the same spacing unit for the Well and imposing a 200% charge for the risk it assumed in drilling the well.

Compulsory pooling is an exercise of the police power of the state to take a constitutionally protected property interest of one owner and give it to another to operate. The Oil and Gas Act sets specific preconditions that must be met by an applicant before the state will invoke its compulsory pooling authority. One of those preconditions is that the interest owners in the spacing unit "have not agreed to pool their interests." In the past, the Oil Conservation Division required at a minimum a good faith effort to reach voluntary agreement before taking the interest of an owner with a pooling order. If the party proposing to drill a well can locate the other interest owners in a spacing unit but fails to offer them the opportunity to participate in the well prior to drilling, the drilling party is deemed to have assumed the risk of drilling and no risk penalty is imposed on the interests of the owners who were not contacted about the well until after it was drilled. See, Order No. R-9581-A where BHP Minerals was allowed to charge only 10% for the risk associated with the completion of a well where it had drilled to total depth

and delayed completion having failed to provide another interest owner in the well an opportunity to participate in the well prior to drilling.¹

In this case, LCX made no effort to reach a voluntary agreement for the development of this acreage until the well was drilled. Since that time, no good faith discussions have occurred. LCX did not contact Devon until three weeks after spudding the well and did not send a well proposal or AFE until two weeks after the well had been drilled, logged and tested. There were no good faith negotiations prior to drilling. Devon did not have an opportunity to propose an alternative well location nor file its own application seeking an order approving an alternative location for the well. Instead LCX drilled the well, logged the well and tested the well before it contacted Devon.

LCX appears to believe that there are no consequence to its decisions to unilaterally develop properties ignoring the rights of other interest owners in the dedicated spacing units. If LCX is correct, all operators should drill first and come to the Division at a later time later.

With this Motion to Quash, LCX is trying to prevent Devon from reviewing data on the well. It now offers Devon a chance to join in the well by paying its share of the well costs but it will not share the well data. It now wants to negotiate. With the data it now possesses on the well, LCX can predict the producing capability of the well. It now knows if the well it is trying to sell to Devon is a good well or a dry hole. In these circumstances, unless LCX is required to share information on the well, no good faith negotiations can occur.

In its Motion to Quash, LCX over simplifies the issues raised by Devon's application. To clarify these issues for LCX, contemporaneously with the filing of this response, Devon has filed an amended Pre-Hearing Statement in Case No. 13628.

1. In its Pre-Hearing Statement, Devon seeks an order rescinding the Application for Permit to Drill previously approved for LCX because recent actions by LCX raise questions concerning whether or not LCX has adequate experience in operating wells in New Mexico and in compliance with the Rules and Regulations of the Oil Conservation Division and, therefore, whether or not is a prudent operator. Devon believes LCX should not be allowed to operate a well into which Devon interests are pooled. Devon intends to show that LCX has established a pattern of drilling first and contacting affected owners later. Devon therefore seeks to be designated operator of the well.
2. Devon also intends to challenge the 200% risk charge sought by LCX. Devon seeks an order declaring that the 200% risk penalty is inappropriate after LCX has unilaterally assumed the risk by drilling. LCX seems to believe that good

¹ Order No. R-9581-A provides:

FINDING: Because BHP did not provide Mrs. Locke with an authorization for expenditure and give her the opportunity to participate in the well, it assumed all risk of drilling; a risk penalty of 10 percent as the completion operations mechanical risk properly reflects the risk in this particular situation."

faith negotiations with other interest owners in a spacing unit consist of drilling first, gathering and keeping tight data on the well, and then contacting others who own interest in the affected spacing unit. Its actions are inconsistent with the Oil and Gas Act, Division policy and prior Orders of the Division and Commission.

The data Devon seeks from LCX is relevant to these issues. It will lead to the discovery of evidence that will show that in drilling the well in the W/2 of Section 6, LCX was either ignorant of the Division rules and policy -- or ignored them. Devon believes that the information it seeks will show whether or not the well was drilled at a prudent location and if it has been imprudently drilled.

RESPONSES TO LCX's OBJECTIONS:

ITEMS 2 and 3:

In Item 2, Devon seeks copies of well logs and completion reports from the Well and in Item 3 it seeks pressure information from the Well. LCX objects to these items asserting that the subpoena seeks the disclosure of proprietary and confidential business and privileged trade secret information. LCX further objects asserting the information is not reasonably calculated to lead to the discovery of admissible evidence.

Regardless of the outcome of the hearing on these consolidated applications, the acreage will be pooled and Devon or LCX will be designated operator of the well. The Oil and Gas Act provides that "All operations for the pooled oil and gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract." NMSA 1978, § 70-2-17.C. Pursuant to this statute, the drilling, logging and testing was conducted by LCX was by and for Devon as well as for itself. Unless the well is a dry hole, Devon will be required to pay its share of the costs incurred in conducting this activity. Therefore, the information obtained by drilling on this spacing unit is not proprietary and confidential business and privileged trade secret information between LCX and Devon. This information was obtained for both of them.

The Division recently found that the trade secret privilege is available only "if the allowance of the privilege will not tend to conceal fraud or otherwise work injustice." Rule 11-508 NMRA 2004.² Certainly it is unjust to allow one owner in a spacing unit to obtain information without contacting other owners in the dedicated well spacing unit and then use that information against the other interest owner in negotiations for the development of that acreage. The well data must be provided to Devon. Furthermore, since Devon is challenging the 200% risk charge, the information is relevant to the issues

² By Order No. R-12343-A, the Division rejected the assertion of a trade secret privilege by Chesapeake against Kaiser-Francis Oil Company where Kaiser-Francis owned the lease to the tract on which the well was located and has the right to explore for minerals and conduct geological investigations." Finding 16, Order No. R-12343-A. Here, Devon owns the mineral lease on the acreage dedicated to the Well and, pursuant to other provisions of Order No. R-12343-A, has the right to explore for minerals and conduct geological investigations on this land.

which the Division must decide. LCX must share the information acquired from drilling with the other owners in the spacing unit.

ITEM 5:

Item 4 seeks monthly production reports for all other Wolfcamp wells drilled and/or operated by LCX in southeastern New Mexico. LCX objects because the requested information is unduly burdensome or expensive, taking into account the needs of the case. LCX also objects for the reason that the data sought is not reasonably calculated to lead to discoverable evidence.

Information reported to the Oil Conservation Division on Form C-105 appears to show that LCX may be the operator of as many as twenty-one Wolfcamp wells in New Mexico. However, it also seems to indicate that LCX has only reported production from five of these wells and only produced them since 2004. On the other hand, in a case where a party's ability to prudently operate wells is at issue, the data sought by Item 4 is relevant and – if few wells are being produced – not unduly burdensome. Furthermore, no production has been reported since October 2005. Devon seeks the production of this information.

ITEMS 6 and 7:

Items 6 and 7 seek the geological and engineering data used by LCX to select the location for the Well. LCX objects to these items asserting that the subpoena seeks the disclosure of proprietary and confidential business and privileged trade secret information. LCX further objects asserting the information is not reasonably calculated to lead to the discovery of admissible evidence.

In these consolidated cases, LCX made no effort to reach a voluntary agreement for the development of this acreage or the location of the Well until after the well was drilled. There were no good faith negotiations prior to drilling and Devon did not have an opportunity to propose an alternative well location nor to file its own application seeking an order approving an alternative location for the well. Furthermore, unless the well is a dry hole, Devon will be required to pay its share of the costs incurred in conducting this activity. Therefore, the information obtained by drilling on this spacing unit is not proprietary and confidential business nor privileged trade secret information between LCX and Devon, this information was obtained for both of them. Since the ability of LCX to prudently operate the well is an issue in this case, this information is relevant and should be produced.

ITEM 9:

Item 9 seeks documents concerning the ownership of interests in the acreage dedicated to the Well. LCX objects on the grounds that this information is protected by the attorney work-product privilege and is unreasonably cumulative or duplicative or obtainable from other sources.

If the information sought by this subpoena item was prepared for the drilling of the well on this tract and the costs of preparation will be billed to the other interest owners in the spacing unit, including Devon, it is deemed to have been prepared for all owners of interest in the tract. It is relevant because Devon believes that it will show that LCX was aware of Devon's interest in this spacing unit long before it drilled and that it willfully failed to advise Devon of the proposed development of this acreage until after the well was drilled.

The data sought by Devon Energy Corporation is relevant to the issues that will be properly before the Commission when these consolidated cases are heard. Devon needs this information to prepare its case. The operations that produced this data are presumed for all purposes to have been conducted by the owners of each tract in the spacing unit. Devon is being asked to pay these costs. If it does not, LCX will ask that Devon be pooled and Devon's share of the costs be withheld out of production. Either way, Devon will pay its share of the operations that resulted in the development of this information. Therefore, Devon does not seek the disclosure of proprietary and confidential business and privileged trade secret. The data was obtained for Devon as well as for LCX. Under the recent decision of the Division in Order R-12343-A this data must be produced for to do otherwise would work and injustice on Devon.

The Division should tell LCX that there are consequences of drilling without first entering into good faith negotiations with other owners in a spacing unit. It should require LCX to produce all information sought by the Devon subpoena and, if the case then has to go to hearing, no risk penalty should apply to any pooled interest in the spacing unit.

Respectfully submitted,

HOLLAND & HART, LLP

By: 
William R. Carr

Post Office Box 2088
110 North Guadalupe Street
Santa Fe, New Mexico 87501

ATTORNEY FOR DEVON ENERGY
CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Response to Motion to Quash was served upon the following counsel of record this 26th day of January, 2006 by U. S. Mail and by Facsimile:

J. Scott Hall, Esq.
Miller Stratvert P.A.
Post Office Box 1986
Santa Fe, New Mexico 87504
Phone: (505) 989-9857
Fax: (505) 989-9857
Attorney for LCX Energy, LLC

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Santa Fe, New Mexico 87504
Phone: (505) 982-2043
Fax: (505) 982-2151
Attorney for Parallel Petroleum Corporation and
Capstone Oil & Gas Company, LP



William F. Carr

DISTRICT I
1625 N. French Cr., Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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 Department

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 75250	Pool Name COTTONWOOD CREEK-WOLFCAMP
Property Code	Property Name 1725 FED COM	Well Number 61
GRID No. 218885	Operator Name LCX ENERGY, LLC	Elevation 3633'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	6	17 S	25 E		660	NORTH	760	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
M	6	17 S	25 E		660	SOUTH	760	WEST	EDDY

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

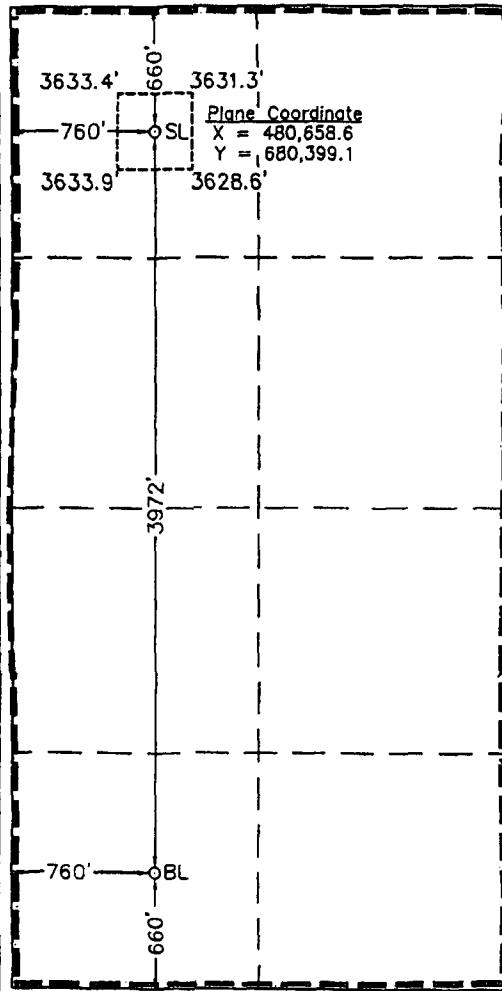
 <p>NOTE: 1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1983. Distances shown hereon are mean horizontal surface values.</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i> Signature Joe T. Janica Printed Name Agent Title 07/21/05 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p>July 8, 2005 Date Surveyed Signature & Seal of Professional Surveyor W.O. Num. 2005-0527 Certificate No. MACON McDONALD 12185</p>
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EXHIBIT "A"

N.M. Oil Cons. Div-Dist. 2
UNITED STATES 301 W. Grand Avenue
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT Artesia, NM 88210

FORM APPROVED
OMB NO. 1004-0135
Expires January 31, 2004

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 ☐ Other

2. Name of Operator
LCX Energy, LLC

3a. Address
110 N. Marienfeld, Ste. 200, Midland, TX 79701

3b. Phone No. (include area code)
432 687-1575

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
SL: 660' FNL & 760' FWL Sec 6, T17S, R25E

5. Lease Serial No.

NM-93181

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
1725 Fed Com #61

9. API Well No.
30-015-34340

10. Field and Pool, or Exploratory Area
Cottonwood Creek; Wolfcamp

11. County or Parish, State
Eddy County, NM

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

TYPE OF SUBMISSION

☐ Notice of Intent
☒ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Spud well & ran casing.</u>
<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 recompleat 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 recompleat 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 final site is ready for final inspection.)

10/7/05 Spud well w/ 17-1/2" hole. Ran 9 jts 13-3/8" 48# H-40 ST&C casing. Casing set @ 389'. Cemented as follows: Pump 20 bbls FH20 spacer. Mix & pump 77sks-205 bbls of lead slurry & 47 sks-200 bbls tail slurry & displace 55 bbls of FH20. Bumped plug 500 psi over float. Held 30 min. No returns on cement. WOC.

Cement 1" - 1st stage - Plug @ 160'. Mix & pump down 10 bbls @ 14.8#. WOC.
Cement 1" - 2nd stage - Plug @ 70'. Mix & pump down 20 bbls @ 14.8# & circ 10 bbls to pit. WOC.
Install wellhead. Test to 1500 psi. Held 30 min.

10/10/05 Ran 30 jts 9-5/8" 36#. J55, ST&C csg. Tag bottom @ 1296' TVD & set csg @ 1294' TVD. Cement as follows: Mix & pump 20 bbls FW gel spacer. Mix & pump lead slurry of 188 bbls & 650 sks of Class RFC (10-2-A) + additives @ 14.2# cement. Mix & pump tail slurry of 71 bbls & 300 sks of Class "C" + additives @ 14.8# cement. Drop plug & diplace w/ 96.7 bbls of FH20. Bumped plug @ 500 psi. Float held ok. 145 bbls of lead ret'd to pit. WOC. Install wellhead & test to 1500 psi. Held 30 min. NU BOP & choke manifold. Test BOP & all surface equipment to 2000 psi. All tested ok.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)
Lisa Hunt

Title

Regulatory Analyst

Date 10/12/05

ACCEPTED FOR RECORD

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Office

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.

OCT 20 2005

ALEXIS C. SWOBODA

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
3160-5
SUNDY 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.

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

5. Lease Serial No.
NM-93181

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
1725 Fed Com #61

9. API Well No.
30-015-34340

10. Field and Pool, or Exploratory Area
Cottonwood Creek; Wolfcamp

11. County or Parish, State
Eddy County, NM

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other SL: 660' FNL & 760' FWL Sec. 6, T17S, R25E

2. Name of Operator
LCX Energy, LLC

3a. Address
110 N. Marienfeld Ste 200, Midland, TX 79701

3b. Phone No. (include area code)
(432) 687-1575

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

SL: 660' FNL & 760' FWL Sec. 6, T17S, R25E

RECEIVED

NOV 04 2005

OCU-ATBIA

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input 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 checked="" 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 Spud well & ran casing
	<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 recompleat 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 recompleat 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.)

10/7/05 Spud well w/17 1/2" hole. Ran 9 jts 13 3/8" 48# H-40 ST&C casing. Casing set @ 389'. Cemented as follows: Pump 20 bbls FH20 spacer. Mix & pump 77 sks-205 bbls of lead slurry & 47 sks-200 bbls tail slurry & displace 55 bbls of FH20. Bumped plug 500 psi over float. Held 30 min. No return on cement. WOC Cement 1" - 1st stage - Plug @160'. Mix & pump down 10 bbls @ 14.8#. WOC. Cement 1" - 2nd stage - Plug @70'. Mix & pump down 20 bbls @ 14.8# & circ 10 bbls to pit. WOC. Install wellhead. Test to 1500 psi. Held 30 min. Actual time WOC 15 hrs.

10/10/05 Ran 30 jts 9 5/8" 36#, J55, ST&C csg. Tag bottom @ 1296' TVD & set csg @ 1294' TVD. Cement as follows: Mix & pump 20 bbls FW gel spacer. Mix & pump lead slurry of 188 bbls & 650 sks of Class RFC (10-2-A) + additives @ 14.2# cement. Mix & pump tail slurry of 71 bbls & 300 sks of Class "C" + additives @ 14.8# cement. Drop plug & displace w/96.7 bbls of FH20. Bumped plug @ 500 psi. Float held ok. 145 bbls of lead ret'd to pit. WOC. Install wellhead & test to 1500 psi. Held 30 min. NU BOP & choke manifold. Test BOP & choke manifold. Test BOP & all surface equipment to 2000 psi. All tested OK. Actual time WOC 7 hrs.

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

Name (Printed/Typed)

Sharon Hindman

Title Regulatory Agent

Signature

Sharon Hindman

Date 11/01/2005

ACCEPTED FOR RECORD

NOV - 2 2005

Approved by

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.

Title

Date

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.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

FORM APPROVED
OMB NO. 1004-0135
Expires January 31, 2004

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SUBMIT IN TRIPLICATE - Other Instructions on reverse side

RECEIVED

NOV 04 2005

OCU-ARTESIA

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☐ Oil Well ☒ Gas Well ☐ Other

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110 N. Marienfeld, Ste. 200, Midland, TX 79701

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- ☐ Notice of Intent
☒ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- | | | | |
|---|---|--|--|
| <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>Cement plug</u> |
| <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 | |

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10/22/05 - TIH open end to depth 5020' MD to spot kop cement plug. Mix cement, circulate capacity of DP & Ann. Pumped 536 sks of Class "H" +0.9% D65 + 0.1% D13, H2O mix cement kop plug from 5020 to 3744'. WOC. Trip out 10 stands of drill pipe & reverse out 8 bbls of cement to pit. Trip out to surface, clean pits.

10/23/05 - WOC. Jet & clean pits. TIH to drlg cement. Tagged cement top @ 4091'. TOH & LD 42 jts of drill pipe. TIH W/ 13 stands of DP. Wash 60' to bottom from 4240 to 4300'. Drlg from 4300 to 4400'. Dress cement top of 4400'. Circulate bottoms up & clean hole.

ACCEPTED FOR RECORD

OCT 31 2005

LES BABYAK
PETROLEUM ENGINEER

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)
Lisa Hunt

Title

Regulatory Analyst

Date 10/24/05

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Office

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.

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

NOV 17 2005

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

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 ☐ Other SL: 660' FNL & 760' FWL Sec. 6, T17S, R25E

2. Name of Operator
LCX Energy, LLC

3a. Address
110 N. Marienfeld Ste 200, Midland, TX 79701

3b. Phone No. (include area code)
(432) 687-1575

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
SL: 660' FNL & 760' FWL Sec. 6, T17S, R25E

5. Lease Serial No.
NM-93181

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
1725 Fed Com #61

9. API Well No.
30-015-34340

10. Field and Pool, or Exploratory Area
Cottonwood Creek; Wolfcamp

11. County or Parish, State
Eddy County, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input 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 checked="" 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 Ran casing
	<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 recompleate 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 recompleation 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.)

11/11/05 Ran 202 jts. of 5 1/2" 17# P 110 BTC & LTC csg. to 8618'. Cement as follows: Pump w/lead 20 bbls FW, 750 sx. 50/50 POZ H plus additives mix at 11.9 ppg. yield 2.46 mix wtr. 14.16 GPS. Tail with 300 sx. "C" plus additives mix at 14.5 ppg. yield 3.97 mix wtr. 17.44 GPS displace w/198.9 bbls FW. Bumped plug w/1480 psi @ 10:15 a.m. plug held. Circulate 43 sx. cement to pit. ND BOP set slips w/65K on slips. NU 7 1/6" tbg. head & test to 1500 psi. Clean pits RD. WO completion.

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

Name (Printed/Typed)

Sharon Hindman

Title Regulatory Agent

Signature

Sharon Hindman

Date 11/16/2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

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.