

LCX ENERGY, LLC

AUTHORITY FOR EXPENDITURE

LEASE & WELL NO.: 1724 Ross # 121
 COUNTY: Eddy
 AFE No.: LCXD5018

Lease # 8084.001

PROSPECT: STATE: New Mexico
 Sec 12, 17S-24E, 1880' FEL & 660' FSL, SL, 1880' FEL & 660' FNL, 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
Drilling Footage		6.11		
Drilling Daywork	30.0 Ft @ \$ 12,500 per ft	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
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
Equipment Rental		6.20; 7.12	40,000	10,000
Waterwell, Pump & Line		6.47	10,000	5,000
Water Transport		6.46; 7.17	10,000	5,000
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
Perforating	TCP + Tractor	6.35; 7.35		70,000
Acid Stimulation		7.01		
Frac Stimulation		7.16		300,000
Pump Truck & Nitrogen Service		7.19		3,000
Transportation		6.32; 7.32	5,000	3,000
Contract Labor & Welding		6.04; 7.07	1,500	1,500
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
Contingencies @ 5 %		6.98, 7.98	45,200	24,300
Subtotal:			949,500	509,600
				1,459,100

LEASE & WELL EQUIPMENT	Size/Wt./Grade/Thd	Footage	Price				
Tubulars:							
Conductor Pipe			ft @ \$ 3.03 per ft				
Surface Casing	13 3/8" 48# H40	385	ft @ \$ 32.00 per ft	3.08	12,400		12,400
Intermediate Casing	9 5/8" 36# J55	1,300	ft @ \$ 26.00 per ft	3.04	33,800		33,800
Protection Liner			ft @ \$ 4.40 per ft				
Production Casing			ft @ \$ 4.21 per ft				
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; 4.36		4,000		4,000
Flowing Tree			3.09; 4.36			3,500	3,500
Pumping Hookup			3.09; 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
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	290,100
Grand Total:					1,003,700	745,500	1,749,200

<p style="text-align: center;">LCX ENERGY, LLC</p> <p>Prepared By: <u>Larry Gillette</u> DATE: <u>7-Apr-06</u></p> <p>Approved By: _____ DATE: _____</p> <p>Title: _____</p>	<p style="text-align: center;">WORKING INTEREST PARTNER</p> <p>agrees to participate for _____ % W. I.</p> <p>Approved By: _____</p> <p style="text-align: center;">NMOCD CASE NO.: 13,736 JUNE 22, 2006 LCX ENERGY, LLC EXHIBIT NO. 2</p>
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