



RECEIVED

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

March 13, 2009

LCX Energy, LLC
110 North Marienfeld, Suite 200
Midland, Texas 79701

Attn: Ms. Carole Cone

Re: Notice of Termination
Effective September 5, 2008
Big Dog State Exploratory Unit Agreement
Eddy County, New Mexico

13803

Dear Ms Cone:

Our records reflect that LCX Energy, LLC is the operator of record for the Big Dog State Exploratory Unit, Eddy County, New Mexico.

Article 8, Drilling to Discovery provides that: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to 4,600' TVD (True Vertical Depth) and 8,700' MD (Measured Depth) Sufficient to encounter the top of the Wolfcamp formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 4,600 feet (TVD). Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known address, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

Our records reflect the following:

- The Big Dog State Exploratory Unit Agreement was approved effective March 22, 2007.
- The initial well (API #30-015-35279), the Big Dog Unit Well No. 201 was spudded on February 3, 2007 and completed in the Four Mile Draw; Wolfcamp, (G) pool on July 29, 2007. A commerciality determination was not submitted for this well.
- The second well (API #30-015-35278), the Big Dog State Unit Well No. 202 was spudded on March 21, 2007 and completed in the Four Mile Draw; Wolfcamp, (G) pool on May 31, 2007. A commerciality determination was not submitted for this well.
- The third well (API # 30-015-35775) the Big Dog State Unit Well No. 162 was spudded on January 16, 2008 and completed in the Undes Four Mile Draw Wolfcamp pool on March 5, 2008. A commerciality determination was not submitted for this well.
- Pursuant to Article 8 of the unit agreement, the fourth exploratory well was due to be commenced on or before September 5, 2008 being six months from the completion date of the third well.
- The proposed fourth well 30-015-35486 Big Dog Well No. 211, Sec. 21-18S-23E was never drilled.

Your e-mail of March 12, 2009 notified this office that "As of 10-15-07, LCX advised that no further Big Dog wells would be drilled nor any further expenditures would be approved in connection with the Big Dog Unit. LCX will hold the producing wells on a Lease by Lease basis."

In view of the above, please be advised that the Big Dog State Exploratory Unit Agreement has been terminated effective September 5, 2008.

Please notify all interested parties of this action.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: *Larry D. Bailey*
JAMM BAILEY, Director
Oil, Gas and Minerals Division
RP/JB/pm

cc: OCD-Santa Fe Attn: Mr. Ed Martin
TRD-Santa Fe Attn: Mr. Valdean Severson
RMD-Santa Fe Attn: Mr. Kurt McFall
Reader File

13803

UNIT NAME: BIG DOG STATE EXPLORATORY UNIT
 OPERATOR: LCX ENERGY
 COUNTY: EDDY

DATE APPROVED	OCD CASE NO. OCD ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 3/22/2007	CASE NO. 13803 ORDER NO. R-12688	1,920.00	1920.00	0.00	0.00	STRICT	SO LONG AS

APPROVALS

SLO-03/22/2007
 OCD-1/9/2007

TOWNSHIP 18 SOUTH, RANGE 23 EAST

STATE LANDS
 SECTION 16: ALL
 SECTION 20: ALL
 SECTION 21: ALL

TERMINATED
 EFFECTIVE DATE 9-5-2008
 APPROVAL DATE 3-13-2009