



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

February 8, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

LCX Energy, LLC
110 N. Marienfeld
Suite 200
Midland, Texas 79701

Attention: Mr. Larry Gillette

Administrative Order NSL-5330

Dear Mr. Gillette:

Reference is made to the following: (i) your application (***administrative application reference No. pmes0-601356318***) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on December 23, 2005; and (ii) the Division records in Artesia and Santa Fe, all concerning LCX Energy, LLC's request for approval of an unorthodox location (penetration point) for its 1724 Kincaid Well No. 111 (**API No. 30-015-34248**) located in Section 11, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) LCX Energy, LLC seeks an exception to Division Rule 19.15.3.104(C) for its proposed 1724 Kincaid Well No. 111 which is to be horizontally drilled from an unorthodox surface location 259 feet from the North line and 990 feet from the West line (Unit D) to a standard bottomhole location 660 feet from the South line and 760 feet from the West line (Unit M) of Section 11, Township 17 South, Range 24 East, NMPM;
- (2) The well is to be completed in the Wolfcamp formation, Undesignated Northeast Collins Ranch-Wolfcamp Gas Pool. This pool is currently spaced on 320 acres and is governed by the provisions of Division Rule 19.15.3.104(C)(2) which requires that wells be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (3) The project area for the 1724 Kincaid Well No. 111 will comprise the W/2 of Section 11;
- (4) The point at which the wellbore penetrates the Wolfcamp formation will be closer than the 660 foot setback required by Division Rule 19.15.3.104(C)(2); however, it is our

understanding that the Wolfcamp perforations in the 1724 Kincaid Well No. 111 will be completely contained within the "producing area";

(5) The application is complete and has been properly filed in conformance with the provisions of Division Rule No. 19.15.3.104(F).

It Is Therefore Ordered That:

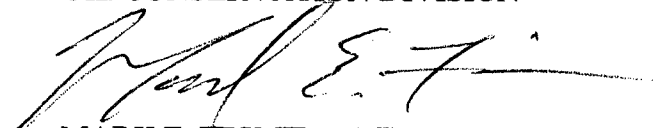
(1) The application of LCX Energy, LLC to drill its proposed 1724 Kincaid Well No. 111 horizontally from an unorthodox surface location 259 feet from the North line and 990 feet from the West line (Unit D) to a standard bottomhole location 660 feet from the South line and 760 feet from the West line (Unit M) of Section 11, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, to test the Wolfcamp formation, Undesignated Northeast Collins-Ranch Wolfcamp Gas Pool, is hereby approved.

(2) The applicant is further authorized to drill the well in such a manner as to penetrate the Wolfcamp formation at a location that is closer than 660 feet to the outer boundary of the NW/4 of Section 11; provided however, that the well shall be cased, cemented and completed to effectively isolate the Wolfcamp formation at the penetration point; and provided further that, all perforations in the Wolfcamp formation shall be completely contained within the "producing area".

(3) The W/2 of Section 11 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
Division Director

Xc: OCD-Artesia