

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

ACO No. 199

IN THE MATTER OF LCX ENERGY, LLC,

Respondent.

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico (hereinafter, "OCD") issues this Order to **LCX ENERGY, LLC** (hereinafter, "Operator"), directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Operator is a foreign limited liability company doing business in New Mexico (SCC No. 2291664) under OGRID 218885. Operator's principal address is 110 North Marienfeld, Suite 200; Midland, Texas 79701.
3. Operator is the operator of record for the Ross 1724 No. 121; API 30-015-34235, Unit Letter O, Section 12, Township 17S, Range 24E, located in Eddy County, New Mexico.
4. OCD Rule 19.15.13.1105 NMAC requires operators to file a well completion or recompletion report and log (Form C-105) "[w]ithin 20 days following the completion or recompletion of any well."
5. On July 20, 2007, OCD determined that Operator had not filed a well completion report (Form C-105) for the Ross 1724 No. 121 well, which apparently had been completed in 2005.
6. On July 20, 2007, OCD Inspector Gerry Guye advised Operator by letter that Operator was in violation of OCD Rule 19.15.13.1105 and had to file a well completion report (Form C-105) for the Ross 1724 No. 121 well by August 3, 2007. Inspector Guye also told Operator's employee Alan Richardson that Operator had to file well completion documents (Form C-105) for the Ross 1724 No. 121 well.
7. On August 28, 2007, after operator failed to file a well completion report for the Ross 1724 No. 121 well, OCD issued Notice of Violation No. 02-027-20 to Operator for violating

OCD Rule 19.15.13.1105.

8. An administrative conference was held between OCD and Operator on September 13, 2007. At conference Operator admitted receiving OCD's letter but said the case "fell through the cracks" after the employee who had received the letter resigned. Operator said a C-105 form for the well had been sent to the OCD's Artesia District Office last week and that Bryan Arrant had signed for it on September 6, 2007. Operator said the well never produced and is set to be plugged starting next week.
9. OCD's records show that the Artesia District Office received Operator's C-105 form on September 6, 2007.

II. CONCLUSIONS

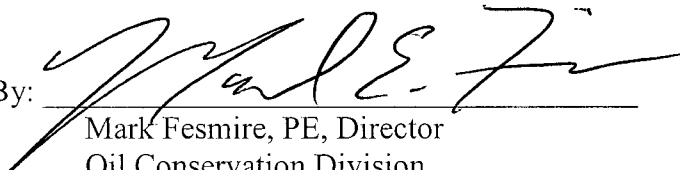
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Operator is a "person" as defined by NMSA 1978, § 70-2-33(A) (defining "person" to include a "company") that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. Operator is subject to civil penalties under NMSA 1978, § 70-2-31(A) for a knowing and willful violation of OCD Rule 19.15.13.1105.
4. Operator knowingly and willfully violated OCD Rule 19.15.13.1105 by failing to file a well completion report (Form C-105) for the Ross 1724 No. 121 well within 20 days of the well's completion.

III. ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **One Thousand Dollars (\$1,000.00)** against Operator for one violation of OCD Rule 19.15.13.1105.
2. The **One Thousand Dollars (\$1,000.00)** civil penalty shall be paid by Operator at the time it executes this Order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505.
3. By signing this Order, Operator expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with Ordering Paragraph 2;
 - c. waives any right pursuant to the Oil and Gas Act or otherwise to a hearing either prior or subsequent to the entry of this Order, or to an appeal from this Order; and

- d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).

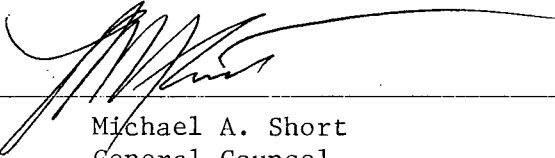
Done at Santa Fe, New Mexico this 1st day of Oct 2007.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

LCX Energy, LLC, hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth therein.

LCX ENERGY, LLC

By: 
Michael A. Short
Title: General Counsel
Date 9/28/07