

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13603 and 13628 Exhibit No. 3  
Submitted by:  
DEVON ENERGY CORPORATION  
Hearing Date: March 2, 2006

Attached to and made a part of that certain Operating Agreement dated October 1, 2005 by and between LCX ENERGY, LLC, as Operator and Devon Energy Production Company, L.P., et al, as Non-operators

**LCX Energy, LLC – 1725 Fed-Com No. 61**

**1. DESCRIPTION OF LANDS SUBJECT TO THIS AGREEMENT:**

All of the W/2 of Section 6, T-17-S, R-25-E, NMPM, Eddy County, New Mexico, containing 319.94 acres, more or less; and limited to the depths described in paragraph 2, next below.

**2. RESTRICTIONS, IF ANY, AS TO DEPTHS, FORMATIONS OR SUBSTANCES:**

All depths from the surface down to the stratigraphic equivalent of the base of the Horizontal Target Objective. The Horizontal Target Objective is the Abo/Wolfcamp formation, being found at that interval from a subsurface depth of 3,725 feet down to 4,918 feet as identified by the Schlumberger Compensated Neutron Formation Density Log for the Mesa Petroleum Co. Catclaw State No. 1 well located 1,980 feet FNL and 1,980 feet FEL of Section 31, T-17-S, R-24-E, NMPM, Eddy County, New Mexico.

**3. PARTIES TO THE AGREEMENT:**

LCX ENERGY, LLC  
110 N. Marienfeld, Suite 200  
Midland, Texas 79701  
Telephone : 432-687-1575

Parallel Petroleum Corporation  
1004 N. Big Spring, Suite 400  
Midland, Texas 79701  
Telephone: 432-684-3727

Elger Exploration, Inc.  
P.O. Box 2623  
Midland, Texas 79702  
Telephone: 432-687-0344

Devon Energy Corporation  
20 North Broadway  
Oklahoma City, OK 73102-8260  
Telephone: 405-228-4416

Capstone Oil & Gas Company, L.P.  
P.O. Box 10187 (79702)  
203 W. Wall Street, Suite 1201  
Midland, Texas 79701  
Telephone: 432-682-5565

CMW Interests, Inc.  
24 Smith Road, Suite 405  
Midland, Texas 79705  
Telephone: 432-349-6267

EOG Resources, Inc.  
P.O. Box 2267  
Midland, Texas 79702  
Telephone: 432-686-3730

Dorchester Minerals Operating LP  
3838 Oak Lawn Avenue Suite 300  
Dallas, TX 75219-4541  
Telephone: 214-559-0300

**4. PERCENTAGES OR FRACTIONAL INTERESTS OF THE PARTIES TO THIS AGREEMENT:**

OWNER	Working Interest Before Payout	Working Interest After Payout
LCX ENERGY, LLC ***	35.287717%	35.204229%
PARALLEL PETROLEUM CORPORATION ***	3.920857%	3.911581%
CAPSTONE OIL & GAS COMPANY, L.P. ***	5.765967%	5.752325%
CMW INTERESTS, INC. ***	0.000000%	0.144149%
ELGER EXPLORATION, INC. * **	0.576597%	0.575232%
EOG RESOURCES ***	15.375911%	15.339533%
DEVON ENERGY CORPORATION	37.510158%	37.510158%
DORCHESTER MINERALS OPERATING LP	1.562793%	1.562793%
<b>TOTAL</b>	<b>100.000000%</b>	<b>100.000000000%</b>

\* Parties to a Leasehold Exchange and Area of Mutual Interest Agreement dated January 15, 2004 providing for a 25% backin at payout.

**\*\* Parties to a Leasehold Exchange and Area of Mutual Interest Agreement  
dated January 15, 2004 naming LCX Energy, LLC as Operator.**

**5. OIL AND GAS LEASES AND/OR OIL AND GAS INTERESTS:**

**Tract No. 1**

Lease Recording Information:	Book 502, Page 453, Correction in Book 531, Page 427
Lease Date:	February 19, 2003
Lease Term:	Three (3) years
Lessor:	Sarah Lew Link Grimes
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	22.5%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 502, Page 454, Correction in Book 531, Page 428
Lease Date:	February 3, 2003
Lease Term:	Three (3) years
Lessor:	Matthews-Link Properties, Ltd.
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	22.5%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 488, Page 880
Lease Date:	November 12, 2002
Lease Term:	Three (3) years
Lessor:	Charles D. Vertrees, Jr.
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	15.625%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	6.3750%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 488, Page 886	
Lease Date:	November 12, 2002	
Lease Term:	Three (3) years	
Lessor:	Ralph W. Vertrees	
Original Lessee:	M. Craig Clark	
Present Lessee:	EOG Resources, Inc., et al	
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico	
No. of Acres:	80.00	
Royalty Rate:	15.625%	
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	6.3750%*
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 618, Page 490	
Lease Date:	October 3, 2005	
Lease Term:	Two (2) years	
Lessor:	Dorchester Minerals Operating L.P.	
Original Lessee:	LCX Energy, LLC	
Present Lessee:	LCX Energy, LLC, et al	
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico	
No. of Acres:	80.00	
Royalty Rate:	25%	
Name and Percent ORRI Owners:	None	
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 480, Page 726, Amendment in Book 492, Page 360	
Lease Date:	November 1, 2002	
Lease Term:	Three (3) years	
Lessor:	E. L. Latham Co., a New Mexico partnership	
Original Lessee:	M. Craig Clark	
Present Lessee:	EOG Resources, Inc., et al	
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico	
No. of Acres:	80.00	
Royalty Rate:	18.75%	
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 485, Page 309, Amendment in Book 492, Page 376
Lease Date:	November 1, 2002
Lease Term:	Three (3) years
Lessor:	Mumford & Company, a New Mexico partnership
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	18.75%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 506, Page 1129
Lease Date:	March 17, 2003
Lease Term:	Three (3) years
Lessor:	Wells Fargo Bank New Mexico, N.A., Trustee of the CBF Company
Original Lessee:	EOG Resources, Inc.
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	18.75%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 574, Page 001
Lease Date:	September 23, 2004
Lease Term:	Three (3) years
Lessor:	Richard Lyons Moore, Individually and as Co-Trustee for the Stephen Scott Moore Testamentary Trust, and Michael Harrison Moore, Individually and as Co-Trustee for the Stephen Scott Moore Testamentary Trust
Original Lessee:	Gary W. Stoltz
Present Lessee:	LCX Energy, LLC, et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 1, 2 & 4 and the E/2 NW/4 of Section 31, T-16-S, R-25-E, Eddy County, New Mexico
No. of Acres:	200.19 Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	25%

Name and Percent ORRI Owners:	None
-------------------------------	------

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%

CMW Interests, Inc.	0.9375%
Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 208, Page 458, Amendment in Book 502, Page 460
Lease Date:	February 10, 2003
Lease Term:	Three (3) years
Lessor:	Helen Gates Maxwell
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	18.75%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 492, Page 373
Lease Date:	January 31, 2003
Lease Term:	Three (3) years
Lessor:	Virginia Gates Irish
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	18.75%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 485, Page 281, Amendment in Book 502, Page 457
Lease Date:	October 29, 2002
Lease Term:	Three (3) years
Lessor:	Virgine Gates, Trustee of the Wallace and Vergine Family Trust u/t/a dated 4/29/87
Original Lessee:	M. Craig Clark
Present Lessee:	EOG Resources, Inc., et al
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	80.00
Royalty Rate:	18.75%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*

Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Lease Recording Information:	Book 502, Page 461	
Lease Date:	February 3, 2003	
Lease Term:	Three (3) years	
Lessor:	John W. Gates, LLC	
Original Lessee:	M. Craig Clark	
Present Lessee:	EOG Resources, Inc., et al	
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico	
No. of Acres:	80.00	
Royalty Rate:	18.75%	
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	3.2500%*
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%
Lease Recording Information:	Book 618, Page 498	
Lease Date:	September 27, 2005	
Lease Term:	Eighteen (18) months	
Lessor:	Gates Properties, Ltd.	
Original Lessee:	LCX Energy, LLC	
Present Lessee:	LCX Energy, LLC, et al	
Description of Land Committed:	Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico	
No. of Acres:	80.00	
Royalty Rate:	25%	
Name and Percent ORRI Owners:	None	
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

#### Tract No. 2

Lease Serial Number:	NM NM 93181	
Lease Date:	June 1, 1994	
Lease Term:	Ten (10) years	
Lessor:	United States of America	
Original Lessee:	Enron Oil & Gas Co.	
Present Lessee:	EOG Resources, Inc.	
Description of Land Committed:	Insofar and only insofar as said lease covers Lots 6 & 7 and the SE/4 NW/4 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico	
No. of Acres:	119.93	
Royalty Rate:	12.5%	
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	7.1250%*
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

**Tract No. 3**

Lease Serial Number:	NM NM 100832
Lease Date:	June 1, 1998
Lease Term:	Ten (10) years
Lessor:	United States of America
Original Lessee:	Perry & Perry, Inc.
Present Lessee:	Devon Energy Production Company, L . P.
Description of Land Committed:	Insofar and only insofar as said lease covers Lot 3 and the E/2 SW/4 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	120.01
Royalty Rate:	12.5%
Name and Percent ORRI Owners:	None
Name and Percent WI Owner:	Devon Energy Production Company, L . P. 100.000%

**6. BURDENS ON PRODUCTION:**

**LEASE ROYALTY:**

**SEE INDIVIDUAL LEASES ABOVE**

**OVERRIDING ROYALTY:**

**SEE INDIVIDUAL LEASES ABOVE**