
LCX Energy, LLC

VIA FEDERAL EXPRESS

December 21, 2005

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
105 South 4th St.
Artesia, New Mexico 88210

Attention: Chuck Moran

RE: Well Proposal – 1625 Fed Com #211
S2 Section 21, T16S, R25E, N.M.P.M.
Eddy County, New Mexico

Gentlemen:

LCX Energy, L.L.C. hereby proposes the drilling of the captioned well as a horizontal Wolfcamp test at the following location in Section 21, T16S, R25E, N.M.P.M., Eddy County, New Mexico :

Surface location: Approximately 960' FSL and 660' FEL of captioned
Section 21;
Bottom hole location: Approximately 960' FSL and 660' FWL of captioned
Section 21;
Spacing unit: S2.

The pilot hole for this well will be drilled to a TVD of approximately 4,937 feet. The horizontal lateral portion of the hole would extend westerly in the Upper Wolfcamp a

NMOCD CASE NO. 13757
AUGUST 17, 2006
LCX ENERGY, LLC
EXHIBIT NO. 3

Working Interest Owners
December 20, 2005
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distance of approximately 3,853 feet. An AFE for the proposed well is enclosed for your review.

LCX invites you to participate in the drilling of this well. Should you elect to join, LCX proposes that operations be conducted under an AAPL 1989 Model Form Operating Agreement naming LCX Energy, L.L.C. as Operator and providing for 100%/300% non-consent penalties, along with \$4,500/drilling well and \$450/producing well overhead rates.

Should you elect not to participate in the drilling of this well, LCX proposes that you farmout all of your interest in the spacing unit for this well for a six (6) month term and retain the difference between existing lease burdens and 25.0% as an overriding royalty.

Inasmuch as we have a rig scheduled in this area in the near future, please consider this request at your earliest convenience and advise this office of your decision. In the event you elect to participate, please sign one copy of the enclosed AFE and return it, along with your well information requirements, to the attention of the undersigned at the letterhead address.

Also, the N/2 of the SW/4 was once a part of the Cottonwood Working Interest Unit under an Operating Agreement, dated March 5, 1976, covering 3,960 acres. Is this unit still in existence and effect?

Should you have any questions regarding this proposal, please contact the undersigned at the letterhead address, by calling 432-848-0221, by facsimile at 432-687-5874 or by e-mail sent to frankn@eeronline.com.

Thank you in advance for your prompt attention to this proposal.

Sincerely,

LCX Energy, L.L.C.



Frank G. Nix
Landman

Encl.

LCX Energy, L.L.C., et al
Under Exploration Agreement
Dated January 15, 2004 by and between
LCX Energy, L.L.C. and

100% leasehold interest in the
S/2 S/2 and N/2 SE/4 of
Section 20, and 75% W.I. under
the proposed 320 acre unit
covering the S/2 of Section 20.

Parallel Petroleum Corporation
P. O. Drawer 10587
Midland, Texas 79702

Capstone Oil & Gas Company, LP
P. O. Box 10187
Midland, Texas 79702

CMW Interests, Inc.
3001 Northtown Place
Midland, Texas 79702

Elger Exploration, Inc.
P. O. Box 2623
Midland, Texas 79701-2623

EOG Resources, Inc.
4000 N. Big Spring St., Suite 500
Midland, Texas 79705

Yates Petroleum Corporation, et al

100% leasehold interest in the
N/2 SW/4 of Section 20, and a
25% W.I. under the proposed
320 acre unit covering the S/2
of Section 20.