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# LCX Energy, LLC

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February 16, 2006

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

Elger Exploration, Inc.  
P.O. Box 2623  
Midland, Texas 79702

Parallel Petroleum Corporation  
1004 N. Big Spring, Suite 400  
Midland, Texas 79701

CMW Interests, Inc.  
24 Smith Road, Suite 405  
Midland, Texas 79705

Yates Petroleum Corporation  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2118

Timothy R. MacDonald  
23 Graham Lane  
Lucas, Texas 75002

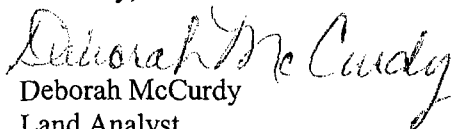
RE: 1625 Fed-Com #211  
JOA Exhibit A

Gentlemen:

Enclosed is Exhibit 'A' covering the captioned well for the Operating Agreement dated January 15, 2004, which has been executed by LCX, along with a copy for your records. Please execute the exhibit and return it to my attention at the letterhead address below. When copies have been received from all of the working interest owners I will provide a complete set of signature pages to each of the partners.

Should you need anything further, feel free to call me at 848-0243.

Sincerely,

  
Deborah McCurdy  
Land Analyst

Encl.

## EXHIBIT "A-1"

Attached to and made a part of that certain Operating Agreement dated January 15, 2004 by and between LCX ENERGY, LLC successor by merger and name change from PERENCO LLC, as Operator and Capstone Oil & Gas Company LP., et al, as Non-operators

### LCX Energy, LLC – 1625 Fed Com No. 211

1. DESCRIPTION OF LANDS SUBJECT TO THIS AGREEMENT:

All of the S/2 of Section 21, T-16-S, R-25-E, NMPM, Eddy County, New Mexico, containing 320 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

Yates Petroleum Corporation  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2118  
Telephone: 505-748-1471

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

Timothy R. MacDonald  
23 Graham Lane  
Lucas, Texas 75002  
Telephone: 972-390-8106

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

OWNER	Working Interest Before Payout	Working Interest After Payout
LCX ENERGY, LLC *	58.072215%	57.888442%
PARALLEL PETROLEUM CORPORATION *	6.452468%	6.432049%
CAPSTONE OIL & GAS COMPANY, L.P. *	9.488924%	9.458896%
CMW INTERESTS, INC. *	0.000000%	0.237223%
ELGER EXPLORATION, INC. *	0.948893%	0.945890%
TIMOTHY R. MACDONALD	0.037500%	0.037500%
YATES PETROLEUM CORPORATION	25.000000%	25.000000%
<b>TOTAL</b>	<b>100.000000%</b>	<b>100.000000%</b>

\* Parties to a farmout agreement providing for a 25% backin at payout. These parties will determine payout. Payout determination in this matter is not the responsibility of Operator.

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

**TRACT NO. 1: N/2 SE/4**

Lease Serial Number:	NM NM 96817																	
Lease Date:	June 1, 1996																	
Lease Term:	Ten (10) years																	
Lessor:	United States of America																	
Original Lessee:	Doug J. Schutz																	
Present Lessee:	Capstone Oil & Gas Company, LP																	
Description of Land Committed:	Insofar and only insofar as said lease covers The N/2 SE/4 of Section 21, T-16-S, R-25-E, Eddy County, New Mexico																	
No. of Acres:	80.00																	
Royalty Rate:	12.5%																	
Name and Percent ORRI Owners:	<table border="0"> <tr> <td>C. Mark Wheeler, a married man</td> <td>2.16666650%</td> </tr> <tr> <td>Jerry B. Elger, a married man</td> <td>2.16666650%</td> </tr> <tr> <td>Nearburg Exploration Company, L.L.C.</td> <td>1.19850000%</td> </tr> <tr> <td>Dominion Oklahoma Texas Exploration &amp; Production, Inc.</td> <td>0.80000000%</td> </tr> <tr> <td>Dale Douglas, a married man</td> <td>0.33333350%</td> </tr> <tr> <td>Jareed Partners, Ltd.</td> <td>0.32666683%</td> </tr> <tr> <td>Keith Williams, a married man</td> <td>0.25000000%</td> </tr> <tr> <td>James E. Geitgey, Trustee of The MYJA Trust</td> <td>0.00666667%</td> </tr> </table>		C. Mark Wheeler, a married man	2.16666650%	Jerry B. Elger, a married man	2.16666650%	Nearburg Exploration Company, L.L.C.	1.19850000%	Dominion Oklahoma Texas Exploration & Production, Inc.	0.80000000%	Dale Douglas, a married man	0.33333350%	Jareed Partners, Ltd.	0.32666683%	Keith Williams, a married man	0.25000000%	James E. Geitgey, Trustee of The MYJA Trust	0.00666667%
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Name and Percent WI Owner:	<table border="0"> <tr> <td>LCX Energy, LLC</td> <td>76.4426250%</td> </tr> <tr> <td>Capstone Oil &amp; Gas Company, LP</td> <td>12.4906250%</td> </tr> <tr> <td>Parallel Petroleum Corporation</td> <td>8.4936250%</td> </tr> <tr> <td>CMW Interests, Inc.</td> <td>1.2490625%</td> </tr> <tr> <td>Elger Exploration, Inc.</td> <td>1.2490625%</td> </tr> <tr> <td>Timothy R. MacDonald</td> <td>0.0750000%</td> </tr> </table>		LCX Energy, LLC	76.4426250%	Capstone Oil & Gas Company, LP	12.4906250%	Parallel Petroleum Corporation	8.4936250%	CMW Interests, Inc.	1.2490625%	Elger Exploration, Inc.	1.2490625%	Timothy R. MacDonald	0.0750000%				
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Elger Exploration, Inc.	1.2490625%																	
Timothy R. MacDonald	0.0750000%																	

**TRACT NO. 2: S/2 SE/4**

Lease Serial Number:	NM NM 101081																	
Lease Date:	September 1, 1998																	
Lease Term:	Ten (10) years																	
Lessor:	United States of America																	
Original Lessee:	Doug J. Schutz																	
Present Lessee:	Capstone Oil & Gas Company, LP																	
Description of Land Committed:	Insofar and only insofar as said lease covers The S/2 SE/4 of Section 21, T-16-S, R-25-E, Eddy County, New Mexico																	
No. of Acres:	80.00																	
Royalty Rate:	12.5%																	
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Elger Exploration, Inc.	1.2490625%																	
Timothy R. MacDonald	0.0750000%																	

**TRACT NO. 3: S/2 SW/4**

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands  
Lessee of Record: Capstone Oil & Gas Company, L. P. and LCX Energy, LLC  
Serial No. of Lease: VA-2582  
Date of Lease: May 1, 2002  
Lease Term: Five (5) years  
Recorded: Book 511, Page 187, Eddy County Records  
Description of Lands Committed:  
Subdivisions: S/2 SW/4  
Section 21, Township 16S, Range 25E, NMPM, Eddy County, New Mexico  
No. of Acres: 80 acres

Name and Percent ORRI Owners:	C. Mark Wheeler, a married man	2.41666650%
	Jerry B. Elger, a married man	2.41666650%
	Dale Douglas, a married man	0.20833340%
	Jareed Partners, Ltd.	0.20416680%
	Keith Williams, a married man	0.25000000%
	James E. Geitgey, Trustee of The MYJA Trust	0.00416680%

Name and Percent WI Owner:	LCX Energy, LLC	76.50%
	Capstone Oil & Gas Company, LP	12.50%
	Parallel Petroleum Corporation	8.50%
	CMW Interests, Inc.	1.25%
	Elger Exploration, Inc.	1.25%

**TRACT NO. 4: N/2 SW/4**

Lessor: Lander Lee Terry Sikora, et al  
Lessee: John W. Gates  
Date of Lease: August 12, 1971  
Recorded: Book 81, Page 349, Eddy County Records  
Description of Lands Committed:  
Subdivisions: Insofar and only insofar as said lease covers  
the N/2 SW/4 of Section 21,  
T-16-S, R-25-E, Eddy County, New Mexico  
No. of Acres: 80 acres

Name and Percent ORRI Owners: None

Name and Percent WI Owner: Yates Petroleum Corporation 100.00%

**ACCEPTED AND AGREED TO:**

**LCX ENERGY, LLC**

By: LCX ACQUISITIONS, LLC  
Its Sole Member  
By:   
Name: Autry C. Stephens  
Title: Sole Member

DATE: 2-15-06

**CAPSTONE OIL & GAS COMPANY, LP**

BY: CAPSTONE INVESTMENTS, INC., G.P.

BY: \_\_\_\_\_  
Dale Douglas, President

DATE: \_\_\_\_\_

**PARALLEL PETROLEUM CORPORATION**

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

**CMW INTERESTS, INC.**

BY: \_\_\_\_\_  
C. MARK WHEELER, PRESIDENT

DATE: \_\_\_\_\_

**ELGER EXPLORATION, INC.**

BY : \_\_\_\_\_  
Jerry B. Elger, President

\_\_\_\_\_  
Timothy R. MacDonald

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

**YATES PETROLEUM CORPORATION**

By: \_\_\_\_\_

Name/Title: \_\_\_\_\_

DATE: \_\_\_\_\_