

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S.P. YATES
CHAIRMAN EMERITUS

JOHN A. YATES
CHAIRMAN OF THE BOARD

PEYTON YATES
PRESIDENT

FRANK YATES, JR.
EXECUTIVE VICE PRESIDENT

JOHN A. YATES, JR.
SENIOR VICE PRESIDENT

August 4, 2006

Via Facsimile

LCX Energy, LLC
Attn: Mike Short
110 N. Marienfeld, Suite 200
Midland, Texas 79701

Re: 1625 State Com #211
Township 16 South, Range 25 East, N.M.P.M.
Section 21:
Eddy County, New Mexico

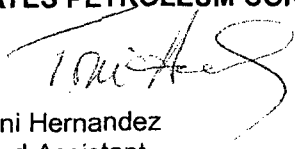
Dear Mike:

I have enclosed an executed Authority for Expenditure for the above captioned on behalf of Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation along with a copy of our geological requirements.

If you have any questions please call me at 505-748-4349.

Very truly yours,

YATES PETROLEUM CORPORATION


Toni Hernandez
Land Assistant

/th

Enclosures:

NMOCD CASE NO. 13757
AUGUST 17, 2006
LCX ENERGY, LLC
EXHIBIT NO. 7

LCX ENERGY, LLC

AUTHORITY FOR EXPENDITURE

LEASE & WELL NO.: 1625 State Com # 211

COUNTY: Eddy

AFE No.: LCXD5037

Lease # 8094.001

PROSPECT:

STATE: New Mexico

Sec 21, T-16-S, R-25-E, 760' FSL & 660' FEL SL, 760' FSL & 660' FWL BHL

TOTAL DEPTH: MD 9000'

WELL TYPE: Horizontal

INTANGIBLE DRILLING COST

			IDC; ICC	DRY HOLE	COMPLETE	TOTAL
Survey, Permits & Professional Fees			6.43	2,000		2,000
Surface Damages			6.06	10,000		10,000
Road & Location Dirtwork			6.07	35,000	3,000	38,000
Drilling Footage			6.11			
Drilling Daywork	30.0	Ft @ \$ 12,500 per day	6.13	375,000		375,000
Rig Mobilization			6.40	40,000		40,000
Pulling Unit	8	day @ \$ \$2,200 per day	6.60; 7.39		17,600	17,600
Swab Rig		day @ \$ \$1,000 per day	7.30			
Fuel & Lubricants			6.39	40,000		40,000
Mud, Wash Oil & Chemicals			6.12	50,000		50,000
Bits, Stabilizers & Reamers			6.08	65,000		65,000
Directional Service		MWD, motor, directional package, 11 days @ \$10000/d	6.53	110,000		110,000
Casing Crews & Equipment			6.01; 7.03	7,000	5,000	12,000
Equipment Rental			6.20; 7.12	40,000	10,000	50,000
Waterwell, Pump & Line			6.47	10,000	5,000	15,000
Water Transport			6.46; 7.17	10,000	5,000	15,000
Cement Service			6.02; 7.43	51,000	35,000	86,000
Drill Stem Testing		@ \$ per test	6.54			
Coring & Core Analysis		ft @ \$ per ft	6.05			
Geological Services			6.24			
Mud Logging	15	day @ \$ 650 per day	6.33	9,800		9,800
Open Hole Log Service			6.34	16,000		16,000
Cased Hole Log Service			7.36		10,000	10,000
Perforating		TCP + Tractor	6.35; 7.35		70,000	70,000
Acid Stimulation			7.01			
Frac Stimulation			7.16		300,000	300,000
Pump Truck & Nitrogen Service			7.19		3,000	3,000
Transportation			6.32; 7.32	5,000	3,000	8,000
Contract Labor & Welding			6.04; 7.07	1,500	1,500	3,000
Tubular Inspection			6.45; 7.34			
Engineering & Wellsite Supervision	Days	@ \$900/day	6.18; 7.10	27,000	7,200	34,200
Abandonment			6.55			
Environmental, Disposal & Restoration			6.56		10,000	10,000
Contingencies @ 5 %			6.98; 7.98	45,200	24,300	69,500
Subtotal:				949,500	509,600	1,459,100

LEASE & WELL EQUIPMENT

Tubulars:	Size/Wt./Grade/Thd	Footage	Price			
Conductor Pipe		ft @ \$	per ft	3.03		
Surface Casing	13 3/8" 48# H40	385	ft @ \$ 32.00	per ft 3.08	12,400	12,400
Intermediate Casing	9 5/8" 36# J55	1,300	ft @ \$ 26.00	per ft 3.04	33,800	33,800
Protection Liner			ft @ \$	per ft 4.40		
Production Casing	5 1/2" 17# N80	9,300	ft @ \$ 15.00	per ft 4.21	139,500	139,500
Production Liner			ft @ \$	per ft 4.21		
Production Tubing	2 3/8" 4.6# L80	4,800	ft @ \$ 4.50	per ft 4.33	21,600	21,600
Wellhead Equipment				3.09; 4.36	4,000	4,000
Flowing Tree				3.09; 4.36	3,500	3,500
Pumping Hookup				3.09; 4.36		
Liner Hanger, Packer & Tubing Anchor				4.17; 4.20	40,000	40,000
Cementing & Float equipment				3.01; 4.41	4,000	2,000
Pumping Unit w/ Base & Prime Mover				4.22		
Electrical Installation				4.15		
Rods, Subsurface Pump & Accessories				4.24; 4.28; 4.06		
Compressor & Accessories				4.05		
SWD Equipment				4.14		
Oil Storage Tanks				4.27		
SW Fiberglass Tanks				4.35	4,800	4,800
Separator				4.26	7,500	7,500
Heater-Treater				4.13		
Dehydrator/Line Heater				4.38		
Meters, Valves & Connections				4.34	3,000	3,000
Installation				4.25	3,000	3,000
Flowline & Connections				4.34; 4.10	1,000	1,000
Gas Pipeline, Meter & Installation				4.18	10,000	10,000
Subtotal:					54,200	235,900
Grand Total:					1,003,700	745,500
						1,749,200

LCX ENERGY, LLC

WORKING INTEREST PARTNER

Prepared By: Larry Gillette

DATE: 20-Dec-05

agrees to participate for % W. I.

Approved By:




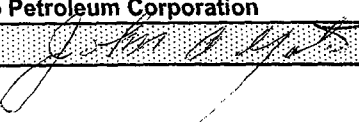
DATE: 12/20/05

see page 2 attached

DATE:

Title:

Title:

OWNER		SHARE
Yates Petroleum Corporation		10.4883200%
By: 	Date:	
Yates Drilling Company		2.2446125%
By: 	Date:	
Myco Industries, Inc.		2.2446125%
By: 	Date:	
Abc Petroleum Corporation		2.2446125%
By: 	Date:	
Total		17.2221575%