Form 3160-3

OCD-ARTESIA

8007 65

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE* (Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

RECEIVED OCD - ARTESIA

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER ___ SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: 218885
LCX ENERGY, LLC. LARRY GILLETTE 432-848-0218

3. ADDRESS AND TELEPHONE NO.
101 NORTH MARIENFELD SUITE 200 MIDLAND, TEXAS 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface
560' FNL & 1780' FWL SECTION 26 T16S-R25E EDDY CO. NM
At proposed prod. zone
660' FSL & 1880' FWL SECTION 26 T16S-R25E EDDY CO. NM

SUBJECT TO LIKE APPROVAL BY STATE

5. LEASE DESIGNATION AND SERIAL NO.: NM-93180

6. IF INDIAN, ALLOTTEE OR TRIBE NAME: –

7. UNIT AGREEMENT NAME: –

8. FARM OR LEASE NAME, WELL NO.: 34279
1625 FEDERAL COM. # 262 H

9. API WELL NO.: 30-015-35323

10. FIELD AND POOL, OR WILDCAT: COTTONWOOD CREEK-WOLFCAMP

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: SECTION 26 T16S-R25E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approximately 5 miles Northwest of Artesia New Mexico.

12. COUNTY OR PARISH: EDDY CO. | 13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 560'

16. NO. OF ACRES IN LEASE: 160

17. NO. OF ACRES ASSIGNED TO THIS WELL: 320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: NA

19. PROPOSED DEPTH: MD-8755' TVD-4975'±

20. ROTARY OR CABLE TOOLS: ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3469' GR.

22. APPROX. DATE WORK WILL START*: WHEN APPROVED

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	20" conductor	NA	40'	Redi-mix to surface
17½"	H-40 13 3/8"	48#	350'	400 Sx. circulate cement to surfac
12¼"	J-55 9 5/8"	36#	1200'	475 Sx. " " " "
8 3/4 or 7 7/8"	N-80 5½"	17#	8755 MD	600 Sx. Est top of cement 1000'

ROSWELL CONTROLLED WATER BASIN

BOND # NMB000094

SEE ATTACHED SHEET FOR DETAIL

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.
SIGNED Joe T. Janica TITLE Agent DATE 10/09/06

(This space for Federal or State office use)

PERMIT NO. ______ APPROVAL DATE ______

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /s/ James A. Amos TITLE FIELD MANAGER DATE DEC 19 2006

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

LCX ENERGY, LLC
110 N. Marienfeld St., Suite 200
Midland, TX 79701
April 26, 2006

Horizontal Drilling Procedure
Abo Wildcat Horizontals
(Eddy Co., NM)

1. Drill 26" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.

2. Drill 17-1/2" hole to 350'.

3. Drill 12-1/4 hole to 1200'. Run and set 1200' of 9-5/8" 36# J-55 ST&C casing. Cement with 375 sx of 35/65 Poz/C + 5% NaCl + 6% Bentonite, tail in with 100 sx. of Class "C" cement + 2% CaCl, circulate cement to surface.

4. Drill 7-7/8" or 8-3/4" hole to approx. 5000'. Set cement kick-off plug from TD to approx. 4400 ft with 150 sx H + 0.5% dispersant.

5. Dress cement top to desired kick-off point. Drill 7-7/8" curve and land lateral in pay zone (approx. 4900 ft TVD). Pickup lateral drilling assembly with an 8-3/4" or 7-7/8" bit and drill a +/-4000' lateral to 660' from lease line (approx. 4000 ft vertical section).

6. Run and set 5-1/2" 17# N80 or stronger production casing. Cement 5-1/2" with acid soluble cement through the lateral and 400 sx 50/50 Poz/C + 10% gel and tail in with 200 sx C + 200% $CaCO_3$ (acid soluble cement) + fluid loss additive + retarder (as required), attempting to bring top of cement to 1,000'.

Contingency Strings:

If lost circulation occurs in the surface hole:

2a. Run and set 350' of 13-3/8" 48# H-40 ST&C casing. Cement with 200 sx 35/65 Poz/C + 6% gel and tail in with 200 sx of Class "C" cement + 2% CaCl, circulate cement to surface.

If hole conditions dictate running a 7" contingency string in the 8-3/4" hole :

4a. Run approx. 5100 ft 7" 26# J55 or stronger casing to TD. Cement with 700 sx class 'C' cement + add's attempting bringing TOC to approx. 1,000 ft. This may be done in the vertical pilot hole or at the end of the 8-3/4" curve section.

4b. Run whipstock and cut a window in the 7" casing (or drill out with 6-1/8" BHA if 7" set at end of curve). Drill to TD.

5a. Step 5 will be omitted.

6a. Run and set approximately 4400 ft 4-1/2" 11.6# N/L80 liner from TD to approximately 200' above the window/7" casing shoe. Cement with approx. 110 sx C + 200% $CaCO_3$ (acid soluble cement) + add's attempting to bring TOC above liner top.

FRESH WATER WILL BE USED TO DRILL THE 350' HOLE AND THE 1200' HOLE.

THERE IS NO KNOWN PRESENCE OF ANY H_2S IN THIS AREA. OTHER WELLS DRILLED HAVE NOT ENCOUNTERED ANY HYDROGEN SULFIDE WHILE DRILLING.

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Frances Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	75250	COTTONWOOD CREEK-WOLFCAMP (GAS)

Property Code	Property Name	Well Number
	1625 FED COM	262

OGRID No.	Operator Name	Elevation
218885	LCX ENERGY, LLC	3469'

Surface Location

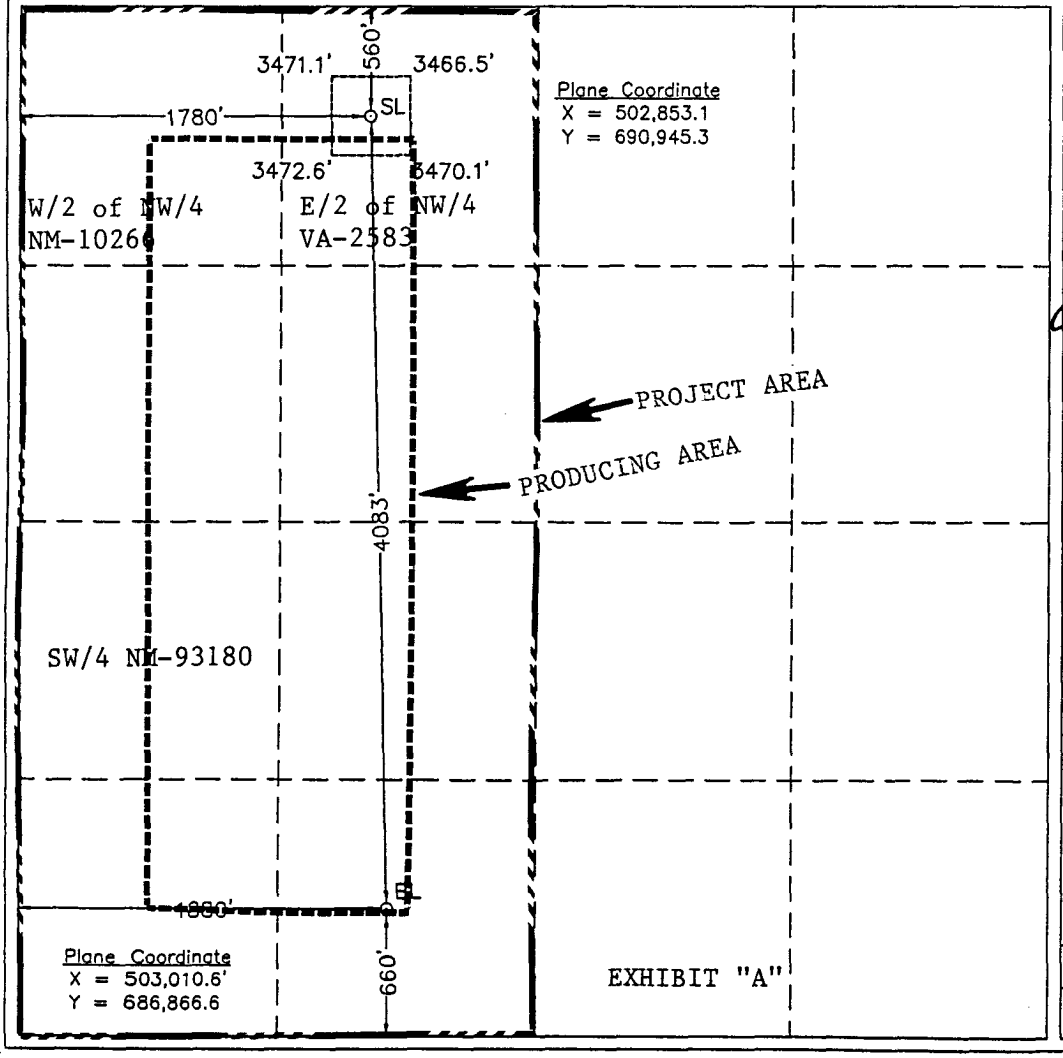
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	16 S	25 E		560	NORTH	1780	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	26	16 S	25 E		660	SOUTH	1880	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interestin the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature Date

Joe T. Janica 10/09/06

Printed Name

Agent

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison and that the same is true and correct to the best of my belief.

September 20, 2006

Date of Survey JSR

Signature & Seal of Professional Surveyor

MACON McDONALD NEW MEXICO 12185 PROFESSIONAL SURVEYOR

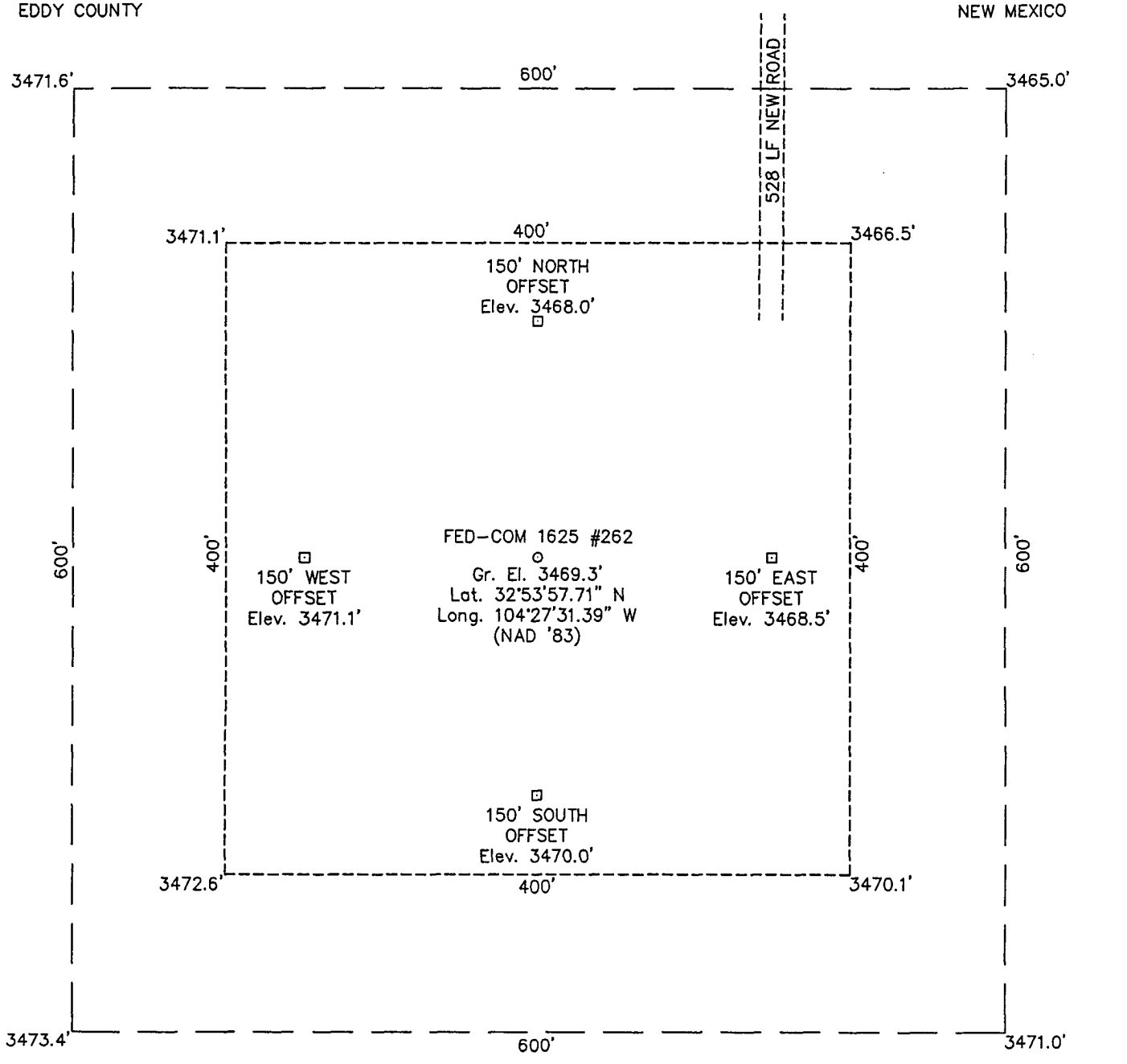
W.O. Num. 2006-0954

Certificate No. MACON McDONALD 12185

SECTION 26, TOWNSHIP 16 SOUTH, RANGE 25 EAST, N.M.P.M.

EDDY COUNTY NEW MEXICO

L-2006-0954



100 0 100 200

Graphic Scale in Feet

DRIVING DIRECTIONS

FROM THE INTERSECTION OF U.S. HIGHWAY 82 AND 285 IN ARTESIA, DRIVE WEST 1.8 MILES TO 26th STREET, DRIVE NORTH ALONG 26th STREET 3.5 MILES TO FRANCO ROAD; TURN WEST AND DRIVE 1.0 MILE ALONG FRANCO ROAD TO A CATTLE GUARD; PROCEED NORTHWESTERLY ALONG 2-TRACK ROAD ±0.7 MILE; LOCATIION IS APPROXIMATELY 700 FEET SOUTH.

LCX ENERGY, LLC

1625 FED-COM #262

Located 560' FNL & 1780' FWL, Section 26
Township 16 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

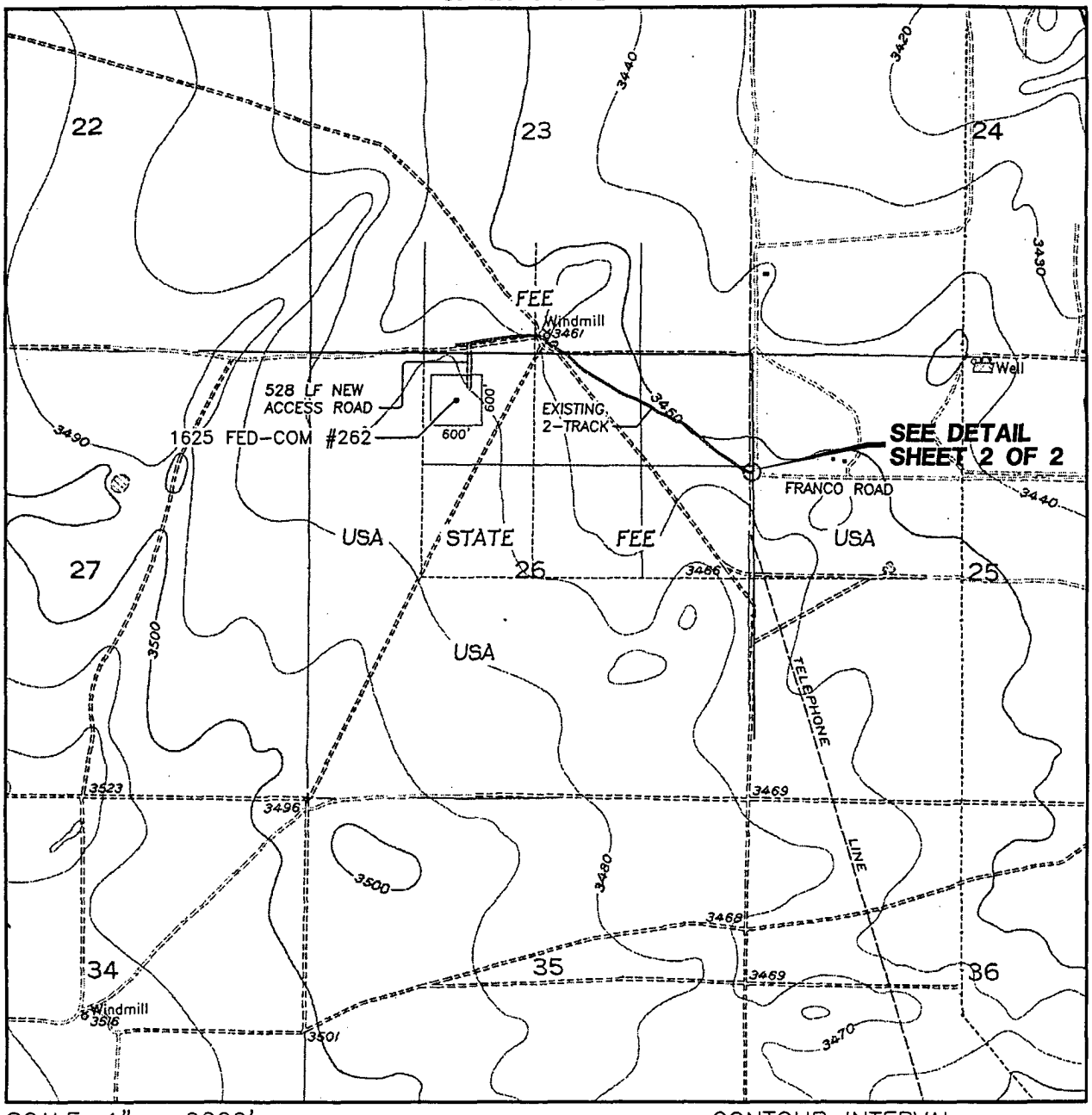
Drawn By: JSR	Date: September 28, 2006
Scale: 1"=100'	Field Book: 347 / 72-73
Revision Date:	Quadrangle: Espuela
W.O. No: 2006-0954	Dwg. No.: L-2006-0954

WEST COMPANY of Midland, Inc.

110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

LOCATION VERIFICATION MAP

SHEET 1 OF 2



SCALE: 1" = 2000'

CONTOUR INTERVAL:
ESPUELA – 10'

SEC. 26 TWP. 16-S RGE. 25-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 560' FNL & 1780' FWL

ELEVATION 3469'

OPERATOR LCX ENERGY, LLC

LEASE 1625 FED-COM

U.S.G.S. TOPOGRAPHIC MAP
ESPUELA, N.M.

NORTH

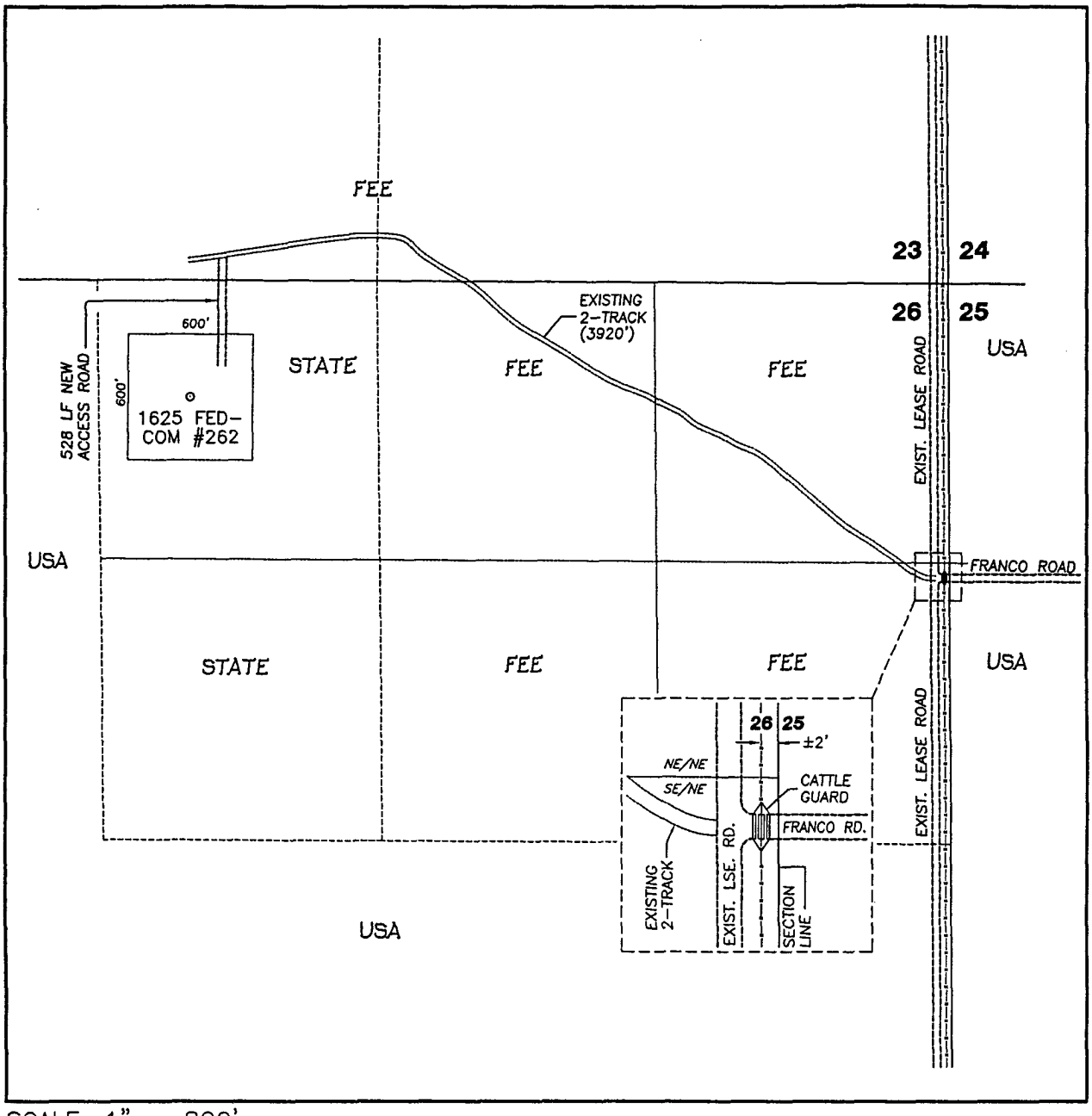
SHEET 1 OF 2

WEST COMPANY of Midland, Inc.

110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 – (432) 687-0868 FAX

LOCATION VERIFICATION MAP

SHEET 2 OF 2



SCALE: 1" = 800'

SEC. 26 TWP. 16-S RGE. 25-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 560' FNL & 1780' FWL

ELEVATION 3469'

OPERATOR LCX ENERGY, LLC

LEASE 1625 FED-COM

U.S.G.S. TOPOGRAPHIC MAP
ESPUELA, N.M.

NEW ACCESS ROAD ALLOCATED BY FORTIES AS FOLLOWS:

SECTION 26
NE/NE 410 FEET 24.85 RODS

SECTION 23
NE/NE 118 FEET 7.15 RODS

EXISTING 2-TRACK ROAD ALLOCATED BY FORTIES AS FOLLOWS:

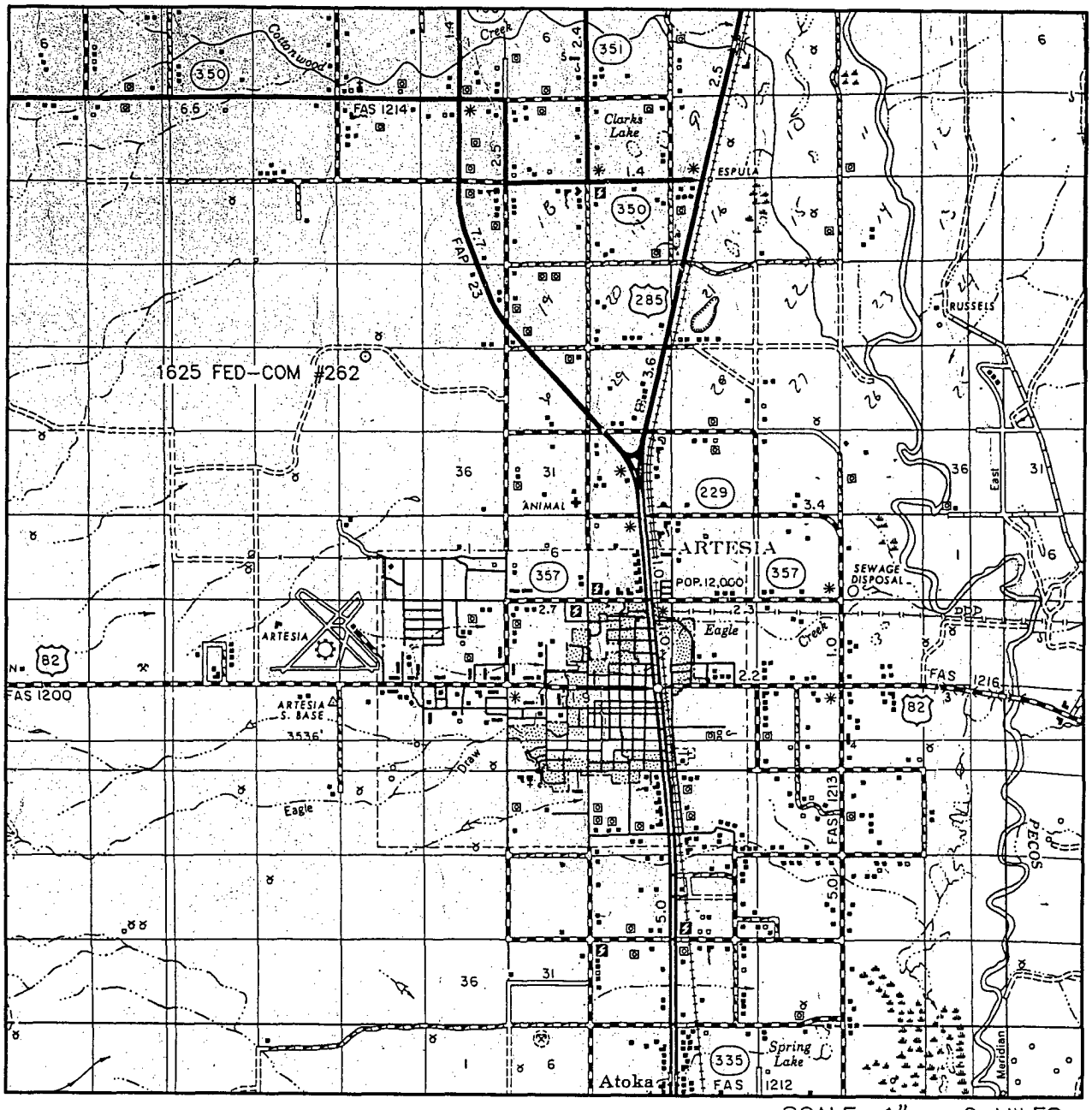
SECTION 26
NE/NE 1410 FEET 85.45 RODS
SE/NE 193 FEET 11.70 RODS
NW/NE 1085 FEET 64.75 RODS

SECTION 23
SW/SE 489 FEET 29.64 RODS
SE/SW 743 FEET 45.03 RODS

SHEET 2 OF 2

WEST COMPANY of Midland, Inc.
110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 26 TWP. 16-S RGE. 25-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 560' FNL & 1780' FWL

ELEVATION 3469'

OPERATOR LCX ENERGY, LLC

LEASE 1625 FED-COM

NORTH

WEST COMPANY of Midland, Inc.

110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

INTREPID
Directional Drilling Specialists

Proposal

Report Date:	October 5, 2006	**Survey / DLS Computation Method:**	Minimum Curvature / Lubinski
Client:	LCX Energy	**Vertical Section Azimuth:**	180.000°
Field:	Eddy County, NM Nad 83	**Vertical Section Origin:**	N 0.000 ft, E 0.000 ft
Structure / Slot:	1625 Fed Com #262 / 1625 Fed Com #262	**TVD Reference Datum:**	RKB
Well:	1625 Fed Com #262	**TVD Reference Elevation:**	0.0 ft relative to
Borehole:	1625 Fed Com #262	**Sea Bed / Ground Level Elevation:**	0.000 ft relative to
UWI/API#:		**Magnetic Declination:**	8.482°
Survey Name / Date:	1625 Fed Com #262 / October 5, 2006	**Total Field Strength:**	49191.651 nT
Tort / AHD / DDI / ERD ratio:	90.000° / 3960.00 ft / 5.797 / 0.798	**Magnetic Dip:**	60.401°
Grid Coordinate System:	NAD83 New Mexico State Planes, Eastern Zone, US Feet	**Declination Date:**	October 05, 2006
Location Lat/Long:	N 32 27 58.536, W 104 17 54.240	**Magnetic Declination Model:**	IGRF 2005
Location Grid N/E Y/X:	N 533358.051 ftUS, E 552111.259 ftUS	**North Reference:**	Grid North
Grid Convergence Angle:	+0.01875232°	**Total Corr Mag North -> Grid North:**	+8.463°
Grid Scale Factor:	0.99990922	**Local Coordinates Referenced To:**	Well Head

Comments	Measured Depth (ft)	Inclination (deg)	Azimuth (deg)	TVD (ft)	Vertical Section (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (deg)	DLS (deg/100 ft)	Tool Face (deg)
Tie-In	0.00	0.00	180.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	100.00	0.00	180.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	200.00	0.00	180.00	200.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	300.00	0.00	180.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	400.00	0.00	180.00	400.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	500.00	0.00	180.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	600.00	0.00	180.00	600.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	700.00	0.00	180.00	700.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	800.00	0.00	180.00	800.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	900.00	0.00	180.00	900.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1000.00	0.00	180.00	1000.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1100.00	0.00	180.00	1100.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1200.00	0.00	180.00	1200.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1300.00	0.00	180.00	1300.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1400.00	0.00	180.00	1400.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1500.00	0.00	180.00	1500.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1600.00	0.00	180.00	1600.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1700.00	0.00	180.00	1700.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1800.00	0.00	180.00	1800.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	1900.00	0.00	180.00	1900.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2000.00	0.00	180.00	2000.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2100.00	0.00	180.00	2100.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2200.00	0.00	180.00	2200.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2300.00	0.00	180.00	2300.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2400.00	0.00	180.00	2400.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2500.00	0.00	180.00	2500.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2600.00	0.00	180.00	2600.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2700.00	0.00	180.00	2700.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2800.00	0.00	180.00	2800.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	2900.00	0.00	180.00	2900.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3000.00	0.00	180.00	3000.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3100.00	0.00	180.00	3100.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3200.00	0.00	180.00	3200.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3300.00	0.00	180.00	3300.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3400.00	0.00	180.00	3400.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3500.00	0.00	180.00	3500.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3600.00	0.00	180.00	3600.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3700.00	0.00	180.00	3700.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M

Comments	Measured Depth (ft)	Inclination (deg)	Azimuth (deg)	TVD (ft)	Vertical Section (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (deg)	DLS (deg/100 ft)	Tool Face (deg)
	3800.00	0.00	180.00	3800.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	3900.00	0.00	180.00	3900.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	4000.00	0.00	180.00	4000.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	4100.00	0.00	180.00	4100.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	4200.00	0.00	180.00	4200.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	4300.00	0.00	180.00	4300.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	4400.00	0.00	180.00	4400.00	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
KOP	4482.54	0.00	180.00	4482.54	0.00	0.00	0.00	0.00	0.00	0.00	180.00M
	4500.00	2.10	180.00	4500.00	0.32	-0.32	0.00	0.32	180.00	12.00	180.00M
	4600.00	14.10	180.00	4598.82	14.38	-14.38	0.00	14.38	180.00	12.00	0.00G
	4700.00	26.10	180.00	4692.56	48.67	-48.67	0.00	48.67	180.00	12.00	0.00G
	4800.00	38.10	180.00	4777.12	101.71	-101.71	0.00	101.71	180.00	12.00	0.00G
	4900.00	50.10	180.00	4848.81	171.17	-171.17	0.00	171.17	180.00	12.00	0.00G
	5000.00	62.10	180.00	4904.49	254.01	-254.01	0.00	254.01	180.00	12.00	0.00G
	5100.00	74.10	180.00	4941.72	346.63	-346.63	0.00	346.63	180.00	12.00	0.00G
	5200.00	86.10	180.00	4958.89	444.95	-444.95	0.00	444.95	180.00	12.00	0.00G
EOC	5232.54	90.00	180.00	4960.00	477.46	-477.46	0.00	477.46	180.00	12.00	0.00G
	5300.00	90.00	180.00	4960.00	544.93	-544.93	0.00	544.93	180.00	0.00	0.00G
	5400.00	90.00	180.00	4960.00	644.93	-644.93	0.00	644.93	180.00	0.00	0.00G
	5500.00	90.00	180.00	4960.00	744.93	-744.93	0.00	744.93	180.00	0.00	0.00G
	5600.00	90.00	180.00	4960.00	844.93	-844.93	0.00	844.93	180.00	0.00	0.00G
	5700.00	90.00	180.00	4960.00	944.93	-944.93	0.00	944.93	180.00	0.00	0.00G
	5800.00	90.00	180.00	4960.00	1044.93	-1044.93	0.00	1044.93	180.00	0.00	0.00G
	5900.00	90.00	180.00	4960.00	1144.93	-1144.93	0.00	1144.93	180.00	0.00	0.00G
	6000.00	90.00	180.00	4960.00	1244.93	-1244.93	0.00	1244.93	180.00	0.00	0.00G
	6100.00	90.00	180.00	4960.00	1344.93	-1344.93	0.00	1344.93	180.00	0.00	0.00G
	6200.00	90.00	180.00	4960.00	1444.93	-1444.93	0.00	1444.93	180.00	0.00	0.00G
	6300.00	90.00	180.00	4960.00	1544.93	-1544.93	0.00	1544.93	180.00	0.00	0.00G
	6400.00	90.00	180.00	4960.00	1644.93	-1644.93	0.00	1644.93	180.00	0.00	0.00G
	6500.00	90.00	180.00	4960.00	1744.93	-1744.93	0.00	1744.93	180.00	0.00	0.00G
	6600.00	90.00	180.00	4960.00	1844.93	-1844.93	0.00	1844.93	180.00	0.00	0.00G
	6700.00	90.00	180.00	4960.00	1944.93	-1944.93	0.00	1944.93	180.00	0.00	0.00G
	6800.00	90.00	180.00	4960.00	2044.93	-2044.93	0.00	2044.93	180.00	0.00	0.00G
	6900.00	90.00	180.00	4960.00	2144.93	-2144.93	0.00	2144.93	180.00	0.00	0.00G
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	7400.00	90.00	180.00	4960.00	2644.93	-2644.93	0.00	2644.93	180.00	0.00	0.00G
	7500.00	90.00	180.00	4960.00	2744.93	-2744.93	0.00	2744.93	180.00	0.00	0.00G
	7600.00	90.00	180.00	4960.00	2844.93	-2844.93	0.00	2844.93	180.00	0.00	0.00G
	7700.00	90.00	180.00	4960.00	2944.93	-2944.93	0.00	2944.93	180.00	0.00	0.00G
	7800.00	90.00	180.00	4960.00	3044.93	-3044.93	0.00	3044.93	180.00	0.00	0.00G
	7900.00	90.00	180.00	4960.00	3144.93	-3144.93	0.00	3144.93	180.00	0.00	0.00G
	8000.00	90.00	180.00	4960.00	3244.93	-3244.93	0.00	3244.93	180.00	0.00	0.00G
	8100.00	90.00	180.00	4960.00	3344.93	-3344.93	0.00	3344.93	180.00	0.00	0.00G
	8200.00	90.00	180.00	4960.00	3444.93	-3444.93	0.00	3444.93	180.00	0.00	0.00G
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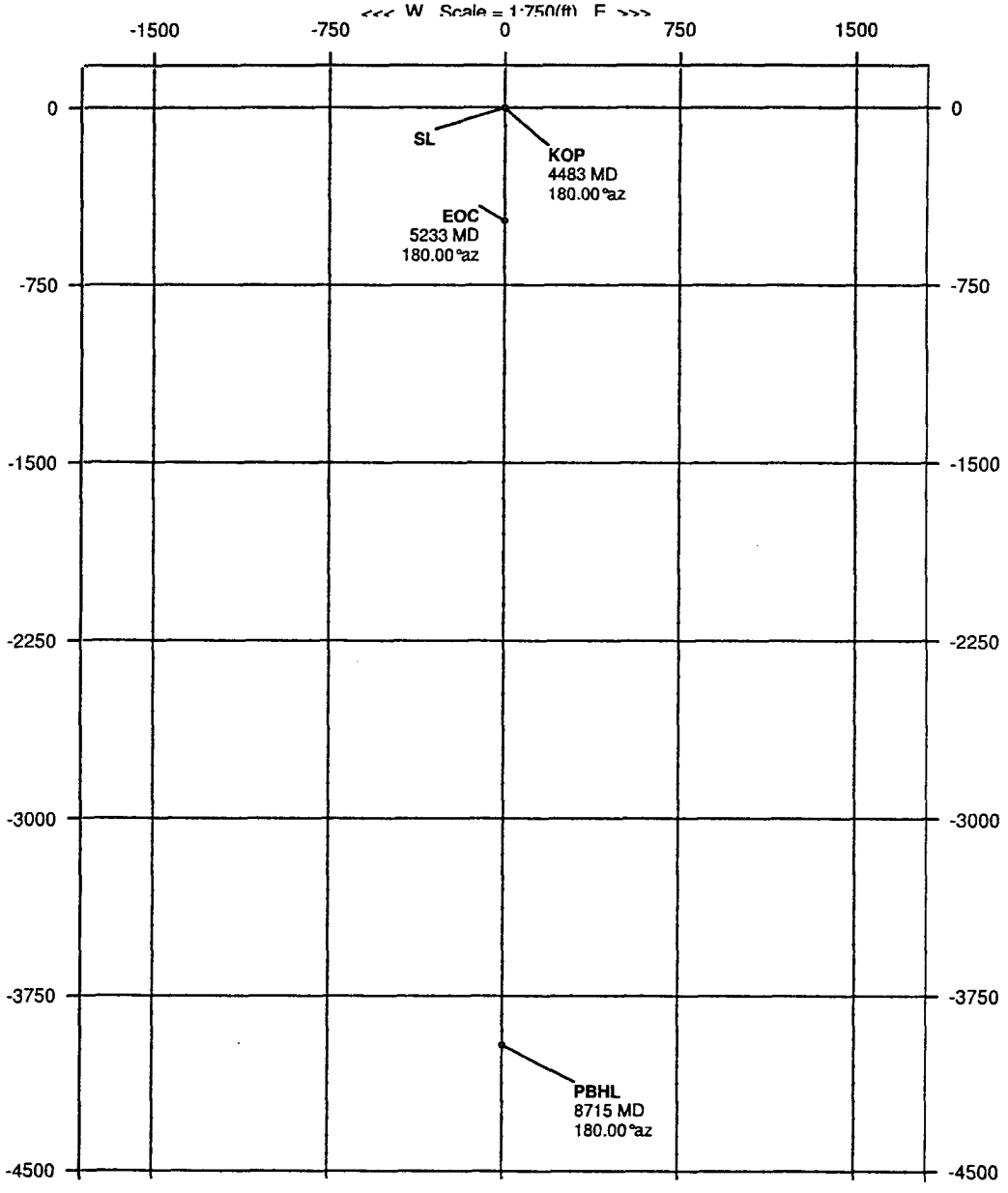
	8600.00	90.00	180.00	4960.00	3844.93	-3844.93	0.00	3844.93	180.00	0.00	0.00G
	8700.00	90.00	180.00	4960.00	3944.93	-3944.93	0.00	3944.93	180.00	0.00	0.00G
PBHL	8715.07	90.00	180.00	4960.00	3960.00	-3960.00	0.00	3960.00	180.00	0.00	0.00G

LCX Energy

WELL	FIELD	STRUCTURE
1625 Fed Com #262	Eddy County, NM Nad 83	1625 Fed Com #262



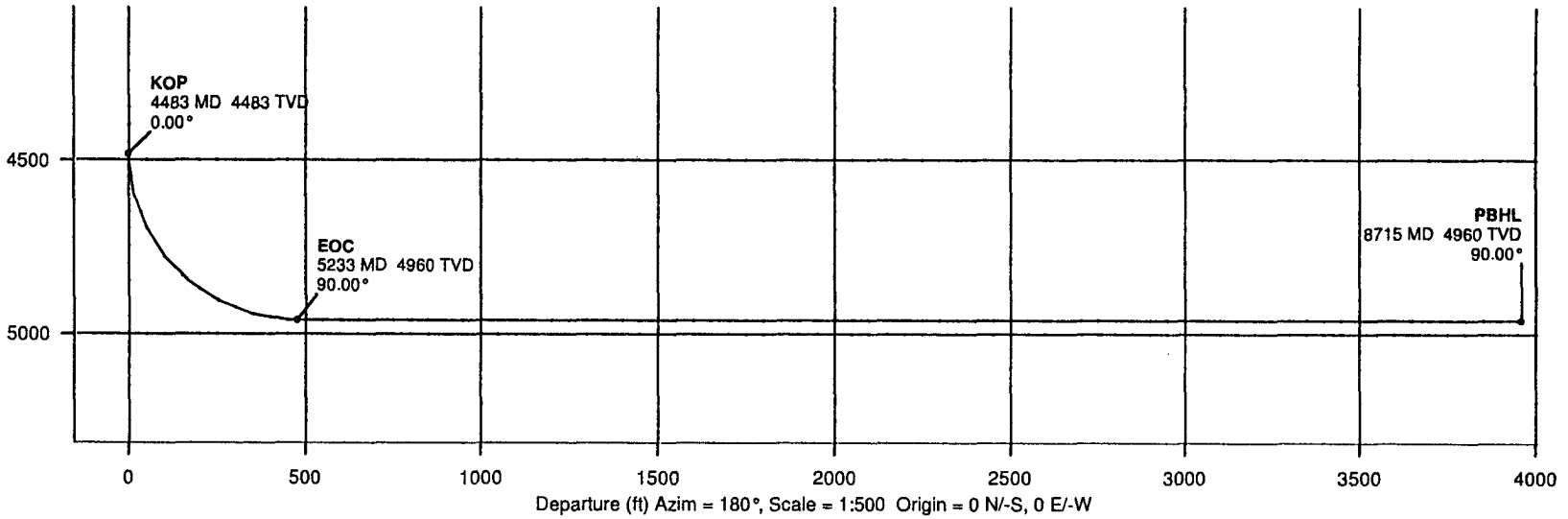
Critical Points

Critical Point	MD	INCL	AZIM	TVD	VSEC	N(+) / S(-)	E(+) / W(-)	DLS
Tie-In	0.00	0.00	180.00	0.00	0.00	0.00	0.00	0.00
KOP	4482.54	0.00	180.00	4482.54	0.00	0.00	0.00	0.00
EOC	5232.54	90.00	180.00	4960.00	477.46	-477.46	0.00	12.00
PBHL	8715.07	90.00	180.00	4960.00	3960.00	-3960.00	0.00	0.00

INTREPID
Directional Drilling Specialists

LCX Energy

WELL	FIELD	STRUCTURE
1625 Fed Com #262	Eddy County, NM Nad 83	1625 Fed Com #262



Critical Points

Critical Point	MD	INCL	AZIM	TVD	VSEC	N(+) / S(-)	E(+) / W(-)	DLS
Tie-In	0.00	0.00	180.00	0.00	0.00	0.00	0.00	0.00
KOP	4482.54	0.00	180.00	4482.54	0.00	0.00	0.00	0.00
EOC	5232.54	90.00	180.00	4960.00	477.46	-477.46	0.00	12.00
PBHL	8715.07	90.00	180.00	4960.00	3960.00	-3960.00	0.00	0.00

INTREPID
Directional Drilling Specialists

APPLICATION TO DRILL

LCX ENERGY, LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is providedfor your consideration.

1. Location of well: Surface: 560' FNL & 1780' FWL SECTION 26 T16S-R25E EDDY CO. NM

2. Ground Elevation above Sea Level: 3469' GR.

3. Geological age of surface formation: Quaternary Deposits:

4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium to remove solids from hole.

5. Proposed drilling depth: MD-8755±' TVD-4960'±

6. Estimated tops of geological markers:

San Andres	575'	Abo	3875'
Glorietta	1715'	Wolfcamp	4700'
Tubb	3200'		

7. Possible mineral bearing formations:

Abo	Gas
Wolfcamp	Gas

8. Casing Program:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
26"	0-40'	20"	NA	NA	NA	Conductor
17½"	0-350'	13 3/8"	48#	8-R	ST&C	H-40
12¼"	0-1200'	9 5/8"	36#	8-R	ST&C	J-55
8 3/4' & 7 7/8"	0-8755'±	5½"	17#	8-R Butt.	LT&C	N-80

APPLICATION TO DRILL

LCX ENERGY, LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM

9. CASING CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Set 350' of 13 3/8" 48# H-40 ST&C casing. Cement with 400 Sx. of Class "C" cement + additives, circulate cement to surface.
9 5/8"	Intermediate	Set 1200' of 9 5/8" 36# J-55 ST&C casing. Cement with 475 Sx. of Class "C" cement + additives, circulate cement to surface.
5½"	Production	Set 8755'± 5½" 17# N-80 LT&C casing. Cement with 600 Sx. of Class "C" Premium Plus cement + additives, estimate top of cement 1000' from surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 series 3000 PSI working perssure B.O.P. consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. The B.O.P. will be nippled up on the 13 3/8" casing and tested to API specifications. The B.O.P. will be operated at least once each 24 Hr. period and the blind rams will be operated when the drill pipe is out of on trips. Full opening stabbing valve and upper kelly cock will be available in case if needed. Exhibit "E-1" shows a hydraulically operated closing unit and a 3" 3000 PSI choke manifold with adjustable chokes. No abnormal pressures or temperatures are expected while drilling this well. No problems in offset wells.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-350'	8.4-8.7	29-34	NC	Fresh water use paper to control seepage.
350-1200'	8.4-8.7	30-38	NC	Fresh water use paper to control seepage.
1200-5000'±	9.0-9.2	29-34	NC	Cut brine circulate outer reserve
5000-8755'	9.0-9.3	29-38	* 15 cc or less	Cut brine use high viscosity sweeps to clean hole

* Water loss may have to be controled to log well and run casing.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing, viscosity, and water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

LCX ENERGY, LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

A. Open hole logs: Log vertical hole withDual Induction, SNP, MSFL, LDT, Gamma Ray, Caliper from TVD back to the 9 5/8" casing shoe.

B. Cased hole log Gamma Ray, Neutron from 9 5/8" casing shoe back to surface.

C. Rig up mud logger on hole at 3700'±.

D. No cores or DST's are planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H^2S in this area. If H^2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 3500 PSI, and Estimated BHT 165°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 40 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Wolfcamp formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialed as a gas well.

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.

9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H_2S scavengers if necessary.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. H_2S Detection and Alarm Systems

   A. H_2S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.

3. Windsock and/or wind streamers

   A. Windsock at mudpit area should be high enough to be visible.
   B. Windsock at briefing area should be high enough to be visible.
   C. There should be a windsock at entrance to location.

4. Condition Flags and Signs

   A. Warning sign on access road to location.
   B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H_2S present in dangerous concentration. Only emergency personnel admitted to location.

5. Well control equipment

   A. See exhibit "E"

6. Communication

   A. While working under masks chalkboards will be used for communication.
   B. Hand signals will be used where chalk board is inappropriate.
   C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.

7. Drillstem Testing

   A. Exhausts will be watered.
   B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
   C. If location is near any dwelling a closed D.S.T. will be performed.

SURFACE USE PLAN

LCX ENERGY, LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM

1. EXISTING ROADS: Area maps, Exhibit "B" is a reproduction of a County General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.

A. Exhibit "A" shows the proposed well site as staked.

B. From the junction of U.S. Hi-way 82 & 285 in Artesia New Mexico go West on Hi-way 82 2 miles to CR-63, turn Right (North) go 3.8 miles to CR-117 Franco Road, turn Left (West) go 1 mile , bear Right (Northwest) follow 2 track road 4000' to location on the South side of road.

C. Dwellings are located approximately .75 miles East of the location.

2. PLANNED ACCESS ROADS: Approximately 4000' of road requires repairs.

A. The access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.

B. Gradient on all roads will be less than 5.00%.

C. Turn outs will be constructed where necessary.

D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.

E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.

F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Topography.

3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"

A. Water wells - One approximately 1400' Northeast of location.

B. Disposal wells - None known

C. Drilling wells - None known

D. Producing wells - As shown on Exhibit "A-1"

E. Abandoned wells - As shown on Exhibit "A-1"

4. If on completion this well is a producer the operator will lay pipelines and construct powerlines along existing road R-O-W's or other existing R-O-W's. Exhibit "C" shows proposed routes of roads, flowlines and powerlines.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped to location in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction material will be obtained from the excavation of drill site, if additional material is needed it will be obtained from a local source and transported over the access roads as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE MATERIAL:

A. Drill cuttings will be disposed of in the reserve pits.

B. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.

C. Salts remaining after completion of well will be picked up by the supplier, including broken sacks.

D. Waste water from living quaters will be drained into holes with a minium of 10'. These holes will be covered during drilling and will be back filled when the well is completed. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.

E. Remaining drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry enough to be broken out for furthed drying. If the drilling fluids do not evaporate in a reasonable time they will be hauled off by transports to a state approve disposal site. Later pips will be broken out to speed drying. Water produced during completion will be put in reserve pits. Oil and condensate produced will be put in storage tanks and sold.

8. ANCILLARY FACILITIES:

A. No camps or air strips will be constructed on location.

9. WELL SITE LAYOUT:

A. Exhibit "D" shows the proposed well site layout.

B. This Exhibit shows the location of reserve pit, sump pits, and living facilities.

C. Mud pits in the active circulating system will be steel pits and the reserve pits will be unlined unless subsurface conditions encontered during pit construction indicate that a plastic liner is required to contain lateral migration.

D. If needed the reserve pits will be lined with polyethelene. The pit liner will be no less than 6 mils thick and the liner will be extended at least 3 feet over the top of the dikes and secured in place to keep edge of liner in place.

E. The reserve pit will be fenced on three sides and fenced with four strands of barbed wire during drilling and completionphases. The 4th side will be fenced after drilling operations are complete and the drilling rig has moved out.If the well is a producer the mud pits will remain fenced in until the mud has dried up enough to break out the pits and reclaimed according to BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE:

Rehabilitation of the location and reserve pits will be allowed to dry properly, fluids may be moved and disposed of in accordance with article 7-E as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any will be reshaped to the original configuration with provisions made to alleviate furture erosion. In case of the well completed as a producer the drilling pad will be necessary to construct production facilities. After the area has been shaped and contoured top soil from the spoil pile will be placed over the disturbed area to the extent possible so that revegetation procedures can be accomplished to comply with the BLM specifications.

If the well is a dry hole the pad and road area will be contoured to match the existing terrain. Top soil will be spread to the extent possible and revegetation will be carried out according to the BLM specifications.

Should the well be a producer the previously noted procedures will apply to those areas which are not required for production facilities.

12/04/06

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE
620 EAST GREENE STREET
CARLSBAD, NEW MEXICO 88220-6292

Re: Surface and mineral ownership of W/2 of section 26 T16S-R25E Eddy Co. NM.

Dear Mr. Whitlock;

Please amend Surface Use Plan Item 11-B to read: Surface location of well is on State owned surface and State owned minerals being the E/2 of the NW/4 of section 26. The end of hole will be on Federal owned surface and minerals being the W/2 of the NW/4 and the SW/4 of section 26 .

Sincerely

Joe T. Janica

Joe T. Janica
Agent for LCX ENERTY LLC.

* Changed from W/2 to E/2 of the NW/4 per conversation with Joe Janica - 12/4/06. BLM

SURFACE USE PLAN

LCX ENERGY, LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM

11. OTHER INFORMATION:

A. The project area is located on open rolling plain, relatively flat with drainage to the Northeast. Soils are tan-brown to grey,loamy sand silty with minor amounts of caliche. Vegetation consists of various mative grasses, loco weed, broomweed, snake weed, yucca, prickley pear and cholla.

B. The surface location of the well is located on The State of New Mexico land which also ownes the minerals. The surface of the land is used for the grazing of livestock, and the production of Oil & Gas.

C. An archaeological survey will be conducted on the roads and the location and the results will be filed in The Carlsbad Field Office.

D. There are dwellings approximately .5 miles from location.

12. OPERATOR'S REPRESENTIVES:

BEFORE CONSTRUCTION:

TIERRA EXPLORATION, INC
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-391-8503
CELL PHONE 505-390-1598

DURING AND AFTER CONSTRUCTION:

LCX ENERGY, LLC.
110 NORTH MARIENFELD
SUITE 200
MIDLAND, TEXAS 79701
LARRY GILLETTE
OFFICE PHONE 432-848-0218

13. CERTIFICATION: I hereby certify that I or persons under my supervision have inspected the proposed drill site and access route, that I am fimiliar with the conditions which currently exist, that the statements made in this plan are to the best of my knlwledge, are true and correct, and that the work associated with the operations proposed herein will be performed by LCX ENERGY, LLC. it's contractors/subcontractors is in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement

NAME : Joe T. Janica

DATE : Joe T. Janica 10/09/06

TITLE : Agent

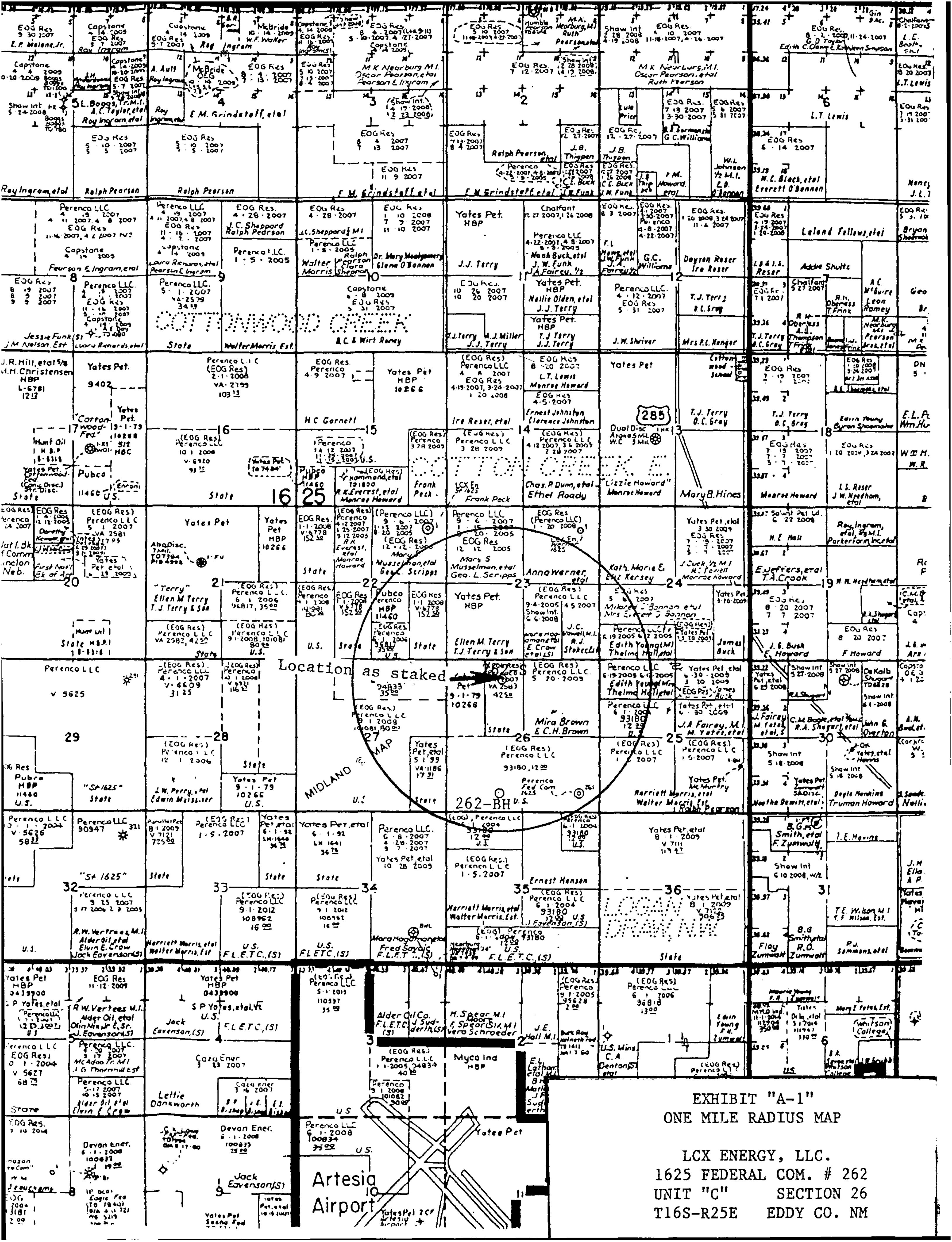


EXHIBIT "A-1"
ONE MILE RADIUS MAP

LCX ENERGY, LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM

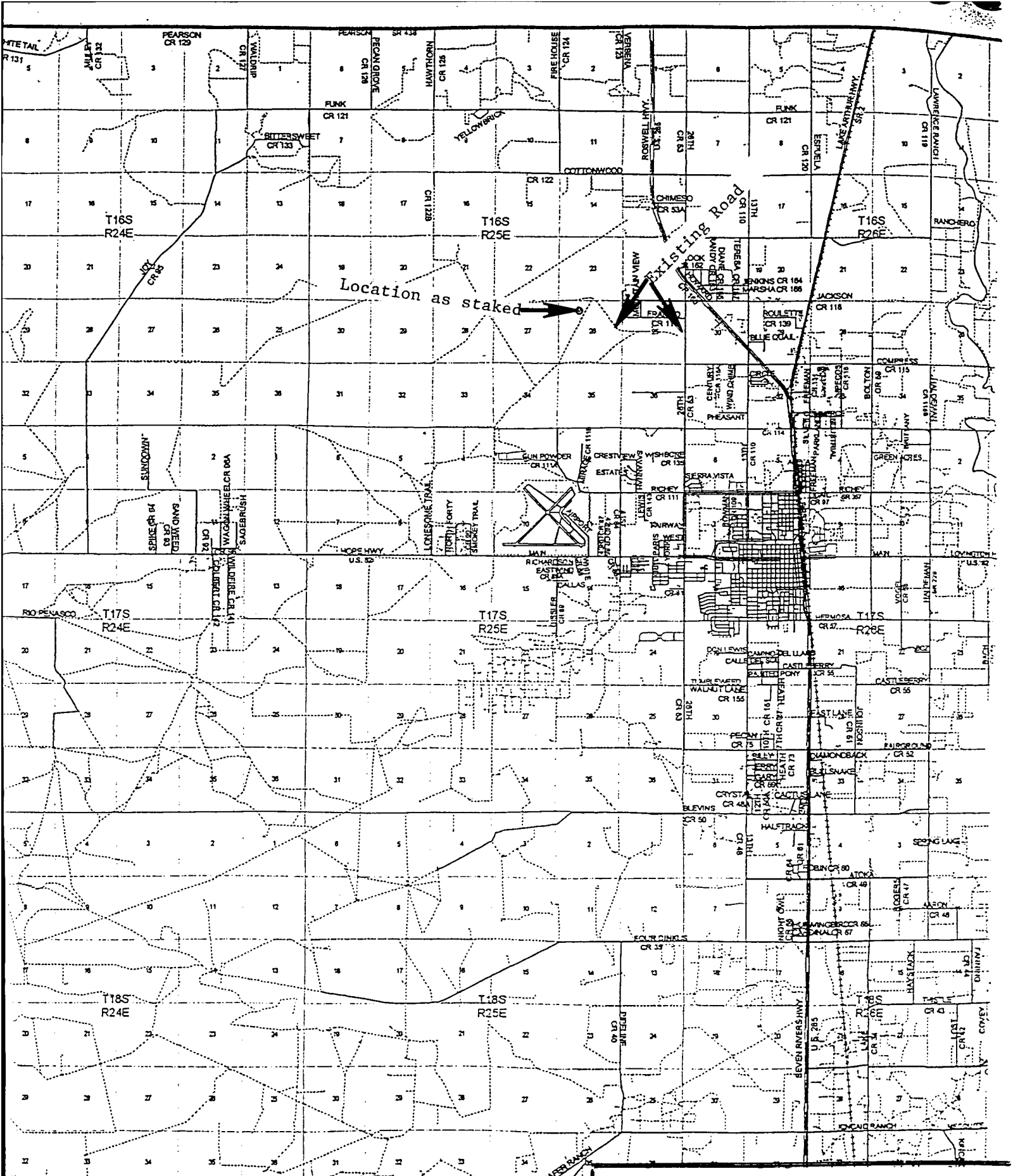
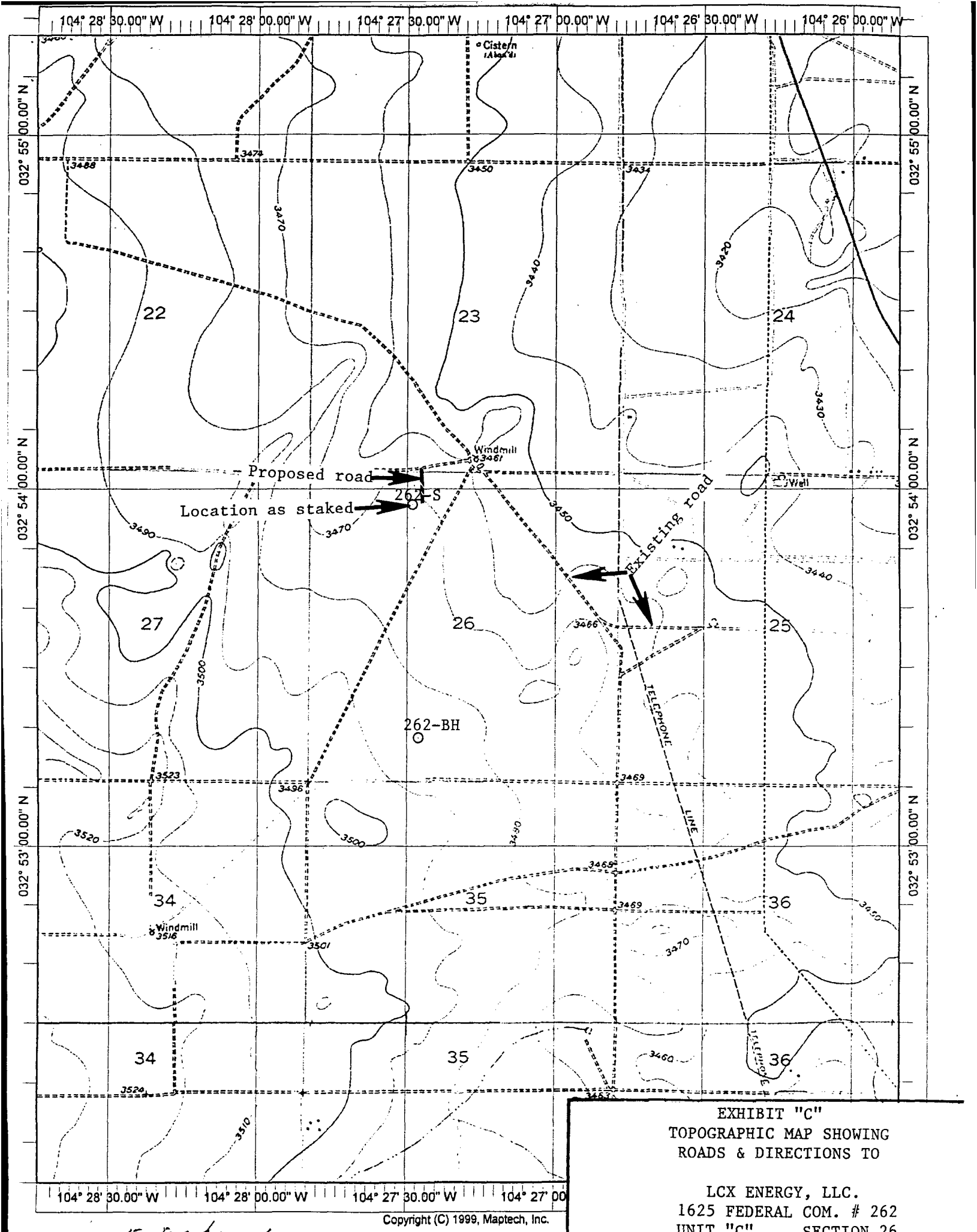


EXHIBIT "B"
LOCATION & ACCESS ROAD MAP

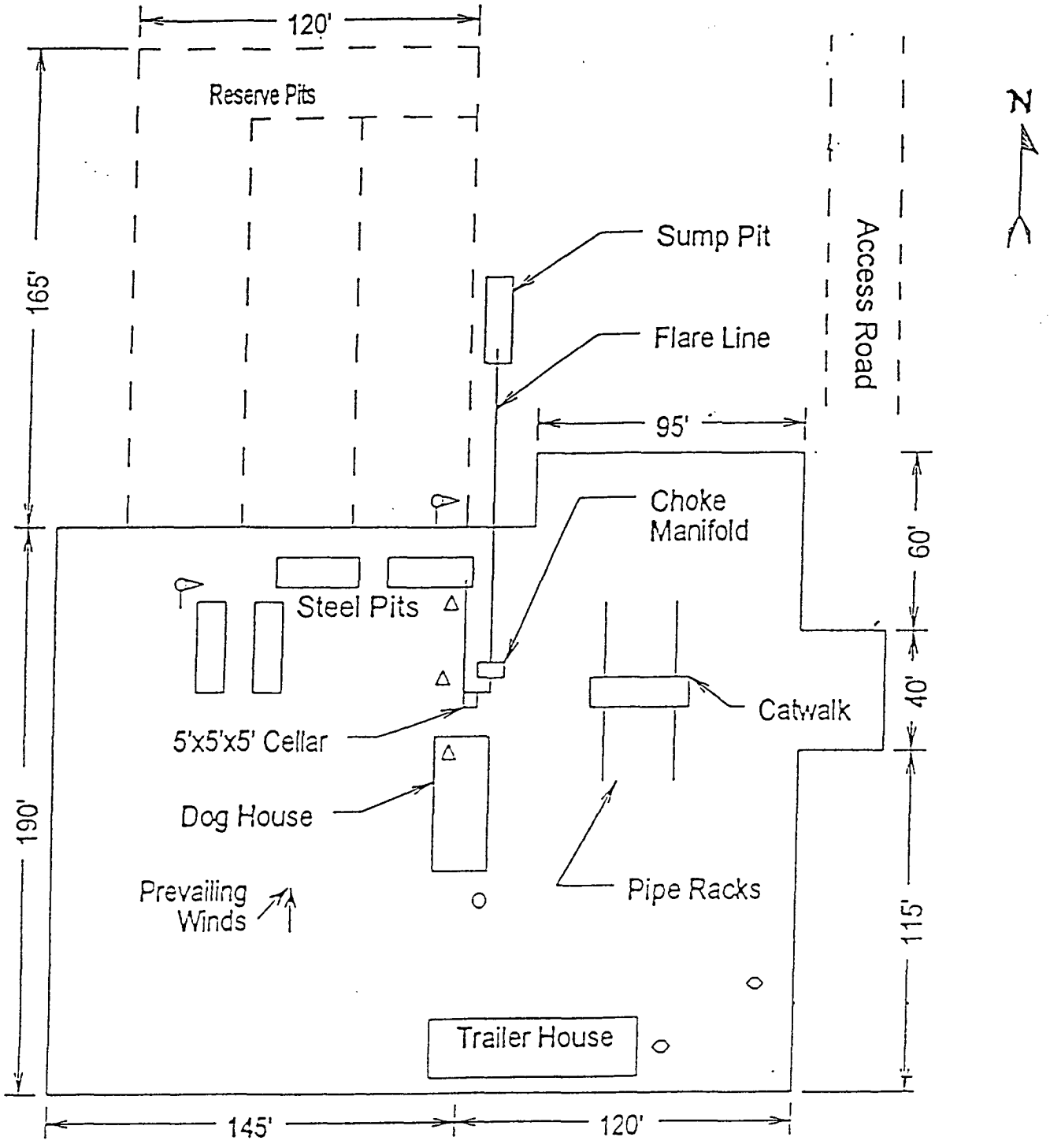
LCX ENERGY,LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM



1625 Federal com 262

EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

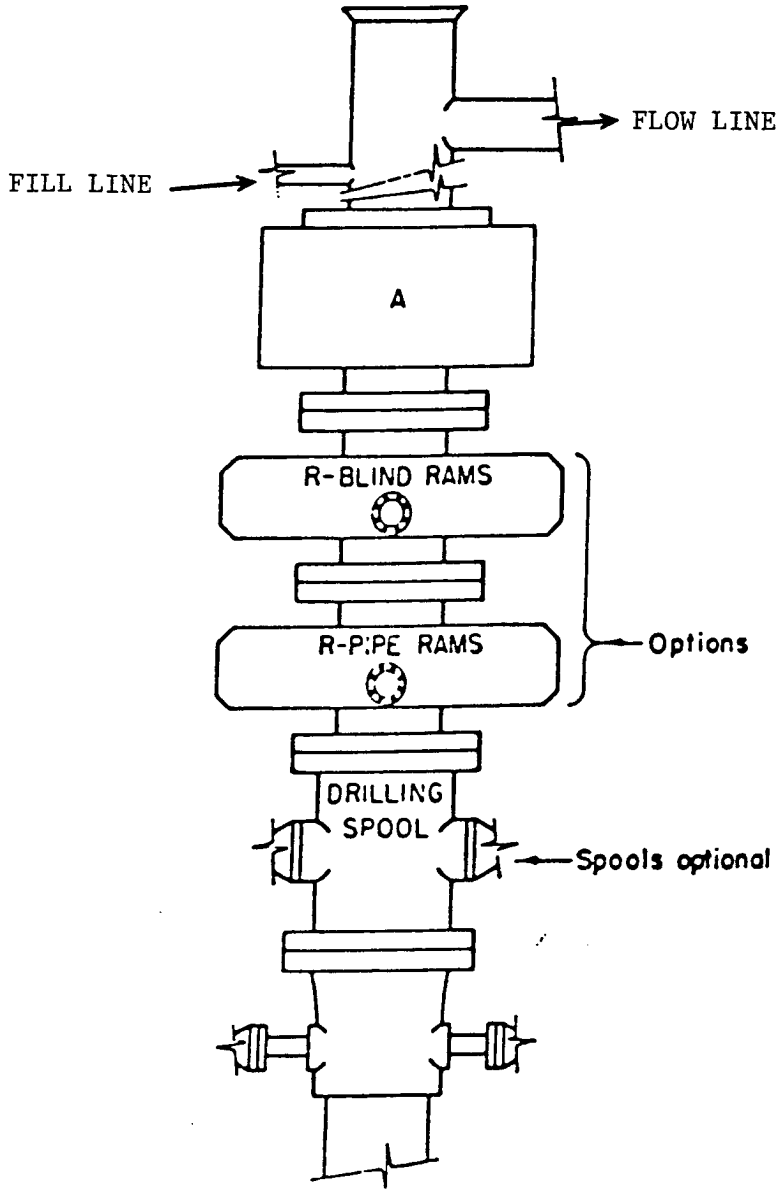
LCX ENERGY, LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM



- Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- ○ Briefing Areas
- ○ Remote BOP Closing Unit
- □ Sign and Condition Flags

EXHIBIT "D"
RIG LAY OUT PLAT

LCX ENERGY, LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM

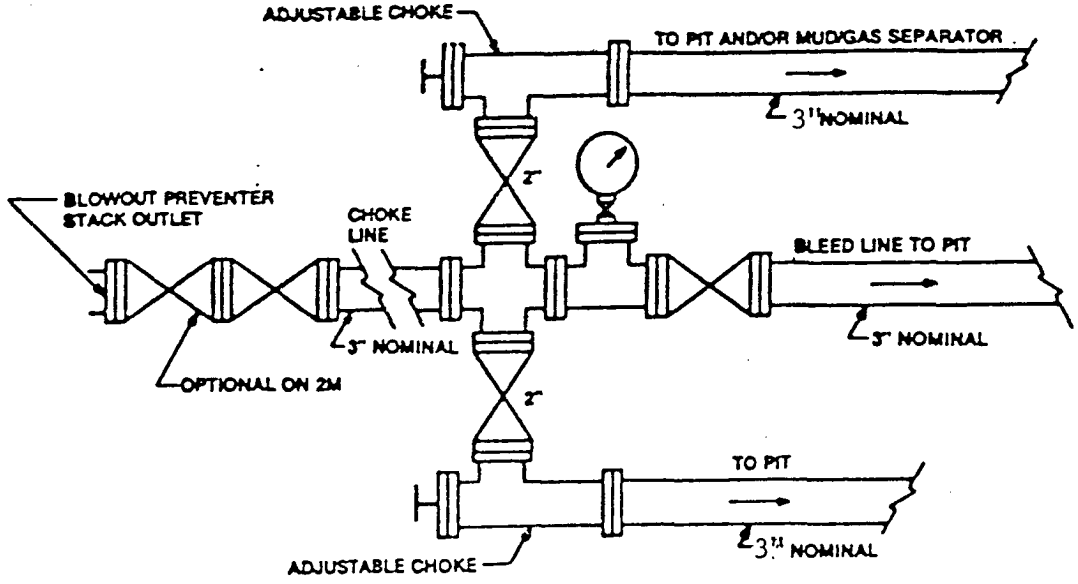


ARRANGEMENT SRRA

SERIES 900 3000 PSI WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

LCX ENERGY LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM



Typical choke manifold assembly for 3M WP system

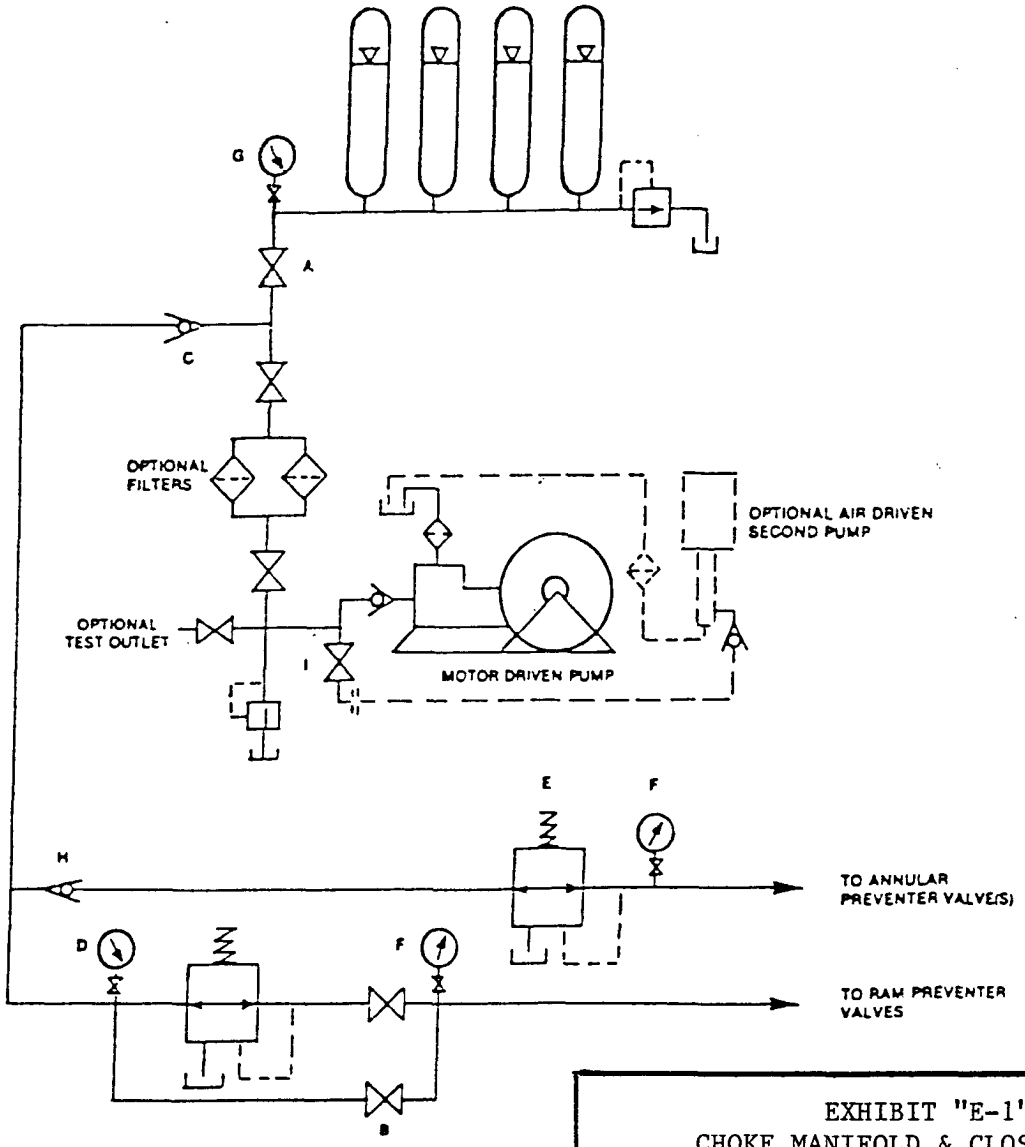


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

LCX ENERGY. LLC.
1625 FEDERAL COM. # 262
UNIT "C" SECTION 26
T16S-R25E EDDY CO. NM

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: LCX Energy, LLC. Well Name & #: 1625 Fed. Com. #262
Location 560 F N L & 1780 F W L; Sec. 26, T. 16 S., R. 25 E.
Bottom Hole: 660 F S L & 1880 F W L; Sec. 26, T. 16 S., R. 25 E.

Lease #: NM-93180 County: Eddy State: New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

( ) Lesser Prairie Chicken (stips attached)
( ) San Simon Swale (stips attached)
( ) Flood plain (stips attached)
(x) Other **See attached Aplomado Falcon Habitat Stipulations**

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(x) The BLM will monitor construction of this drill site. Notify the (x) Carlsbad Field Office at (505) 234-5972 ( ) Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(x) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

( ) All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____inches in depth. Approximately _____cubic yards of topsoil material will be stockpiled for reclamation.

(x) Other. **V-Door West (Reserve pits to the South).**

III. WELL COMPLETION REQUIREMENTS

( ) A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of ½ inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre. If broadcasting, the seeding rate must be doubled.

( ) A. Seed Mixture 1 (Loamy Sites)
Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Plains lovegrass (*Eragrostis intermedia*) 0.5

( ) B. Seed Mixture 2 (Sandy Sites)
Sand Dropseed (*Sporobolus crptandrus)* 1.0
Sand Lovegrass (*Eragostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

( ) C. Seed Mixture 3 (Shallow Sites)
Side oats Grama (*Bouteloua curtipendula)* 5.0
Green Spangletop (*Leptochloa dubia*) 2.0
Plains Bristlegrass (*Setaria magrostachya*) 1.0

( ) D. Seed Mixture 4 (Gypsum Sites)
Alkali Sacaton (*Sporobolus airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

(x) OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

( ) Other

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6-mil plastic.
Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.
The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to process by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 262-1625 Federal Com
Operator's Name: LCX Energy, LLC
Location SHL : 560FNL, 1780FWL, Section 26, T-16-S, R-25-E
Location BHL: 660FSL, 1880FWL, Section 26, T-16-S, R-25-E
Lease: NM93180

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5972 or (505) 361-2822 - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 inch 5-1/2 inch
Contingency casing 7 inch 4-1/2 inch

C. BOP tests

2. **Although no Hydrogen Sulfide has been reported in this section, it is always a possible hazard.**

3 Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

7. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 13-3/8 inch surface casing shall be set **at approximately 350 feet** , below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

Possible lost circulation in Grayburg and San Andres formations.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is **cement shall circulate to surface.**

3. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall extend upward a minimum of 200 feet into the intermediate casing. Operator estimating TOC at 1000 feet.**

Contingency casing strings to be cemented a minimum of 200 feet into next larger casing strings.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the **13-3/8** inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be **3M** psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the **9-5/8** inch casing shall be **3M** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

Engineer on call phone: 505-706-2779

WWI 110706

Stipulations for Drilling in Aplomado Falcon Habitat

The following well pad construction and reclamation measures will be implemented to provide for minimal long-term disturbance:

No Yuccas over 5 feet in height will be damaged by vehicular use or any other activity associated with this project.

Remove all caliche from well pads and roads that are plugged and abandoned. Reclamation will consist of disking, mulching, seeding with a drill (See seed mixture below), and application of water to encourage seed germination.

Well pad size will not exceed 300 ft. x 390 ft. (unless multiple wells are drilled from the same well pad). All unused portions of the well pad associated with producing wells will be reclaimed using the seed mixture below:

Buffalograss (Buchloe dactyloides)	4 lbs/acre
Blue grama (Bouteloua gracilis)	1 lbs/acre
Cane bluestem (Bothriochloa barbinodis)	5 lbs/acre
Sideoats grama (Boutelou curtipendula)	5 lbs/acre
Plains bristlegrass (Setaria macrostachya)	6 lbs/acre

Reserve pits for drilling and disposal are not allowed unless the pit can be effectively netted to the satisfaction of the BLM. Steel tank circulation system must be used if the reserve pit is not netted.

All active raptor nests will be avoided by a minimum of 400 meters by all activities or curtail activities until fledging is complete.

All inactive raptor nests will be avoided by a minimum of 200 meters by all activities.

All roads associated with well development will not exceed 30 ft in width

BLM Lease #: NM-93180
Company Reference: LCX Energy
Well # & Name: 1625 Fed. Com. #262

STANDARD STIPULATIONS FOR PERMANENT RESOURCE ROADS
CARLSBAD FIELD OFFICE

A copy of the APD and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

The holder/grantee/permittee shall hereafter be identified as the holder in these stipulations. The Authorized Officer is the person who approves the Application for Permit to Drill (APD) and/or Right-of-Way (ROW).

GENERAL REQUIREMENTS

A. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

B. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, *et. seq.*) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized by this grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

C. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the right-of-way (unless the release or threatened release is wholly unrelated to the right-of-way holder's activity on the right-of-way). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

D. If, during any phase of the construction, operation, maintenance, or termination of the road, any oil or other pollutant should be discharged, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil of other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all

damages to Federal lands resulting there from the Authorized Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

E. The holder shall minimize disturbance to existing fences and other improvements on public domain surface. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times.

The holder will make a documented good-faith effort to contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence.

F. The Holder shall ensure that the entire right-of-way, including the driving surface, ditching and drainage control structures, road verges and any construction sites or zones, will be kept free of the following plant species: Malta starthistle, African rue, Scotch thistle and salt cedar. The Holder agrees to comply with the following stipulations:

1. ROAD WIDTH AND GRADE

The road will have a driving surface of 14 feet (all roads shall have a minimum driving surface of 12 feet, unless local conditions dictate a different width). The maximum grade is 10 percent unless the box below is checked. Maximum width of surface disturbance from construction will be 30 feet.

☐ Those segments of road where grade is in excess of 10% for more than 300 feet shall be designed by a professional engineer.

2. CROWNING AND DITCHING

Crowning with materials on site and ditching on one side of the road on the uphill side will be required. The road cross-section will conform to the cross section diagrams in Figure 1. If conditions dictate, ditching may be required for both sides of the road; if local conditions permit, a flat-bladed road may be considered (if these conditions exist, check the appropriate box below). The crown shall have a grade of approximately 2% (i.e., 1" crown on a 12' wide road).

☒ Ditching will be required on both sides of the roadway as shown on the attached map or as staked in the field.

☐ Flat-blading is authorized on segment(s) delineated on the attached map.

3. DRAINAGE

Drainage control shall be ensured over the entire road through the use of borrow ditches, out-sloping, in-sloping, natural rolling topography, lead-off (turnout) ditches, culverts, and/or drainage dips.

A. All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval for lead-off ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road slope (in %):

SPACING INTERVAL FOR TURNOUT DITCHES

Percent slope	Spacing interval
0% - 4%	400' - 150'
4% - 6%	250' - 125'
6% - 8%	200' - 100'
8% - 10%	150' - 75'

A typical lead-off ditch has a minimum depth of 1 foot below and a berm 6 inches above natural ground level. The berm will be on the down-slope side of the lead-off ditch. The ditch end will tie into vegetation whenever possible.

For this road the spacing interval for lead-off ditches shall be at

X 400 foot intervals.

☐ ____ foot intervals.

☐ locations staked in the field as per spacing intervals above.

☐ locations delineated on the attached map.

B. Culvert pipes shall be used for cross drains where drainage dips or low water crossings are not feasible. The minimum culvert diameter must be 18 inches. Any culvert pipe installed shall be of sufficient diameter to pass the anticipated flow of water. Culvert location and required diameter are shown on the attached map (Further details can be obtained from the Roswell District Office or the appropriate Resource Area Office).

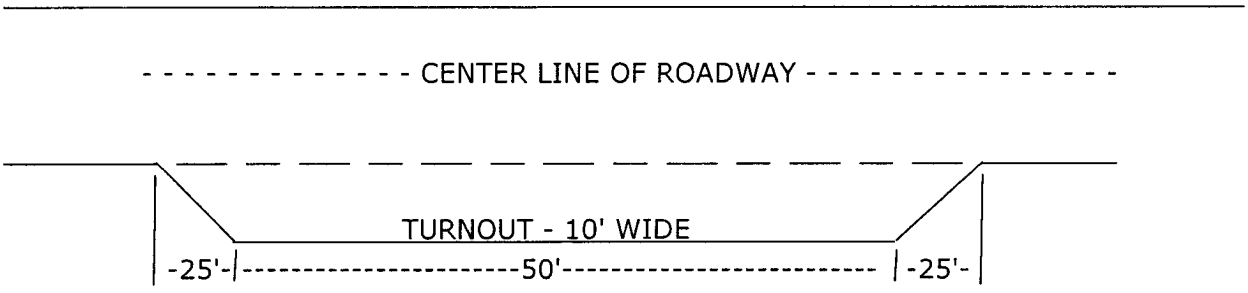
C. On road slopes exceeding 2%, drainage dips shall drain water into an adjacent lead-off ditch. Drainage dip location and spacing shall be determined by the formula:

$$\text{spacing interval} = \frac{400'}{\text{road slope in \%}} + 100'$$

Example: 4% slope: spacing interval = $\frac{400}{4} + 100 = 200$ feet

4. TURNOUTS

Unless otherwise approved by the Authorized Officer, vehicle turnouts will be required. Turnouts will be located at 2000-foot intervals, or the turnouts will be intervisible, whichever is less. Turnouts will conform to the following diagram:



STANDARD TURNOUT - PLAN VIEW

5. SURFACING

Surfacing of the road or those portions identified on the attached map may, at the direction of the Authorized Officer, be required, if necessary, to maintain traffic within the right-of-way with caliche, gravel, or other surfacing material which shall be approved by the Authorized Officer. When surfacing is required, surfacing materials will be compacted to a minimum thickness of six inches with caliche material. The width of surfacing shall be no less than the driving surface. Prior to using any mineral materials from an existing or proposed Federal source, authorization must be obtained from the Authorized Officer.

A sales contract for the removal of mineral materials (caliche, sand, gravel, fill dirt, etc.) from an authorized pit, site, or on location must be obtained from the BLM prior to using any such mineral material from public lands. Contact the BLM solid minerals staff for the various options to purchase mineral material.

6. CATTLEGUARDS

Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads (exceeding H-20 loading), are anticipated (See BLM standard drawings for cattleguards). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.

7. MAINTENANCE

The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation, culvert cleaning, drainage installation, cattleguard maintenance, and surfacing.

8. PUBLIC ACCESS

Public access along this road will not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the Authorized Officer.

9. CULTURAL RESOURCES

Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the authorized officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the authorized officer after consulting with the holder.

10. SPECIAL STIPULATIONS:

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

December 28, 2006
LCX Energy, LLC
101 North Marienfeld, Suite 200
Midland, TX 79701
Attn: Larry Gillette or To Whom It May Concern

Dear Mr. Gillette or To Whom It May Concern

RE: **LCX Energy, LLC's application to drill the1625 Federal Com. # 262 well: Surface location to be in Unit C, of Section 26, Township 16 South, Range 25 East, Eddy County, New Mexico, NMPM. API # 30-015-35323**

In reference to the above noted application to drill, the New Mexico Oil Conservation Division (NMOCD) will require (in part) a detailed H2S well contingency plan that meets the requirements of NMOCD Rule118. Please call if you have any questions or concerns regarding this matter.

Respectfully yours,

Bryan G. Arrant
NMOCD's District II Geologist
Artesia, New Mexico
505-748-1283 ext. 103

CC: Tom Heath-Federal Law Enforcement Training Center
Gloria Vaught-Federal Law Enforcement Training Center
John Simitz-Bureau of Land Management
Well file

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the **13-3/8** inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be **3M** psi **(3M system per Onshore Order 2.III.A.2.a.iii)**. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the **8-5/8** inch casing shall be **3M** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

IV. DRILLING MUD:

Fresh water mud to be used down to Rustler Anhydrite and setting of surface casing.

Saturated brine water mud to be used until salt protection string is set.

Engineer on call phone: (505) 706-2779

WWI 102506