Submit 3 Copies To Appropriate District Office
District I
1625 N. French [illegible] NM 88240
District II
1301 W. Grand [illegible]que, A[illegible], 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 and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

WELL API NO. 30-015-35363

5. Indicate Type of Lease STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name: 1724 SMITH "14"

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

Month - Year APR 18 2007 OCD - ARTESIA, NM

2. Name of Operator: LCX ENERGY, LLC.

8. Well No. # 1

3. Address of Operator: 110 NORTH MARIENFELD SUITE 200 MIDLAND, TEXAS 79701

9. Pool name or Wildcat: COLLINS RANCH-WOLFCAMP

4. Well Location

Unit Letter M : 660' feet from the SOUTH line and 760' feet from the WEST line

Section 14 Township 17S Range 24E NMPM County EDDY

10. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 3732' GL

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☒	COMMENCE DRILLING OPNS.	☐	PLUG AND ABANDONMENT	☐
PULL OR ALTER CASING	☐	MULTIPLE COMPLETION	☐	CASING TEST AND CEMENT JOB	☐		
OTHER:			☐	OTHER:			☐

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

1. LCX ENERGY, LLC. requests the approval to alter the size of the 1200' Intermediate casing string to include the ability to run 8 5/8" 24# J-55 ST&C casing if the conditions are acceptable. (Originally 9 5/8" 36# J-55 ST&C casing was submitted)

2. If conditions exist that the 9 5/9" casing is necessary for safety reasons it will be run.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Joe T. Janica TITLE Agent DATE 04/17/07

Type or print name Joe T. Janica Telephone No. 505-391-8503

(This space for State use)

APPPROVED BY BRYAN G. ARRANT DISTRICT II GEOLOGIST TITLE APR 2 3 2007 DATE

Conditions of approval, if any:

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

`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 or 8-5/8" 24# J55 casing. Cement to surface with 35/65 Poz/C + 5% NaCl + 6% Bentonite lead cement, tail in with 100 sx. of Class "C" cement + 2% $CaCl_2$.

4. Drill 7-7/8" or 8-3/4" hole. 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).

5. 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% CaCO3 (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% CaCO3 (acid soluble cement) + add's attempting to bring TOC above liner top.

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

THERE IS NO KNOWN PRESENCE OF ANY H_2S IN THIS AREA. OTHER WELLSDRILLED HAVE NOT ENCOUNTERED ANY H_2S WHILE DRILLING.