

PMSD- 601 356 318

LCX ENERGY LLC
110 N. Marienfeld St., Suite 200
Midland, TX 79701
(432) 687-1575
December 20, 2005

RECEIVED
DEC 23 2005
OIL CONSERVATION
DIVISION

Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Attn: Michael Stogner

Re: Request for exception to unorthodox location/ penetration point
1724 Kincaid # 111 Horizontal well
Section 11, T-17-S, R-24-E, SL 259' FNL & 990' FWL
BHL 660' FSL & 760' FWL
Eddy Co., New Mexico

Dear Mr. Stogner;

Please find the attached original permit, plats, directional plan and a copy of the recently sent sundry notice to change the location of this well.

This well is permitted in the Eagle Creek-Wolfcamp Gas field which requires a 660' distance from any lease line. This well had to be staked at 259' from the north line because of the proximity of the drill site to an existing residence on the property. There were no other options because of the development in the area. This new location will leave 1061' between the well and the residence.

LCX Energy is seeking an exception to 19.15.3.111 for unorthodox location where the penetration point is less than the required stand off distance of 660'. The top of the Wolfcamp pay zone runs around 4950' and the bottom is at 5000'. This is our target to be horizontal in. This will be drilled and 5 ½" casing run and cemented through it. We would perforate the pay zone so that the top perforation would be at least 660' from any lease line. As the horizontal cross section plan shows we will be at least 450' horizontal by the time the wellbore angle is built out to 90°. This would put the wellbore at this point 709' from the north lease line. The measured depth for the top perf would be around 5210'+.

Please grant this exception for the penetration point. Please call if you need any other information concerning this matter. Larry Gillette, 432-848-0218.

Thank you,



Larry Gillette
Operations Manager
LCX Energy LLC

1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Avenue, Artesia, NM 88210
 District III
 1000 Rio Brazos Road, Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy Minerals and Natural Resources

Form C-101
 May 27, 2004

Oil Conservation Division
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Submit to appropriate District Office

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address LCX ENERGY, LLC. 110 NORTH MARIENFELD SUITE 200 MIDLAND, TEXAS 79701		2 OGRID Number 218885
Property Code 34966		Property Name 1724 KINCAID
Well No. 111		3 API Number 30 - 015-34248
Proposed Pool 1 WILDCAT-WOLFCAMP		Proposed Pool 2

RECEIVED
 JUL 28 2005
 OGD-ARTESIA

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	11	17S	24E		660'	NORTH	760'	WEST	EDDY CO.

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	11	17S	24E		660'	SOUTH	760'	WEST	EDDY CO.

Additional Well Information				
11 Work Type Code N	12 Well Type Code G	13 Cable/Rotary ROTARY	14 Lease Type Code P	15 Ground Level Elevation 3702'
16 Multiple NO	17 Proposed Depth TVD-4940' MD-8790'	18 Formation WOLFCAMP	19 Contractor BIG DOG	20 Spud Date WHEN APPROVED
Depth to Groundwater 100'+		Distance from nearest fresh water well 796'		Distance from nearest surface water 4 miles
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mils thick Clay <input type="checkbox"/>		Pit Volume: 18 Mbbls		Drilling Method: Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil based <input type="checkbox"/> Gas/Air <input type="checkbox"/>
Closed-Loop System <input type="checkbox"/>				

21 Proposed Casing and Cement Program					
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
26"	20"	Conductor	40'	Redi-mix	Surface
17 1/2"	13 3/8"	48#	350'	450 Sx.	"
12 1/2"	9 5/8"	36#	1200'	475 Sx.	"
8 3/4"	7"	26#	5000'	670 Sx.	1000' From Sur.
6 1/8"	4 1/2"	11.6#	MD-8790' TVD4940'	425 Sx.	Top of liner

22 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

SEE ATTACHED SHEET.

NOTIFY OCD OF SPUD & TIME TO WITNESS CEMENTING OF SURFACE & INTERMEDIATE CASING

RECEIVED
 AUG 11 2005
 BY: *[Signature]*

23 I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> .		OIL CONSERVATION DIVISION	
Approved by: <i>[Signature]</i>		Title: <i>[Signature]</i>	
Printed name: Joe T. Janica		Approval Date: JUL 29 2005 Expiration Date: JUL 29 2006	
Title: Agent			
E-mail Address:			
Date: 07/27/05	Phone: 505-391-8503	Conditions of Approval Attached <input type="checkbox"/>	

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

AMENDED REPORT

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 96086	Pool Name WILDCAT WOLFCAMP
Property Code	Property Name 1724 KINCAID	Well Number 111
OGRID No. 218885	Operator Name LCX ENERGY, LLC	Elevation 3702

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	11	17 S	24 E		660	NORTH	760	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
M	11	17 S	24 E		660	SOUTH	760	WEST	EDDY

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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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

NOTE:
1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1983. Distances shown hereon are mean horizontal surface values.

Plane Coordinate
X = 70,043.4
Y = 675,074.2

PROJECT AREA

PRODUCING AREA

OPERATOR CERTIFICATION

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

Joe T. Janica
Signature
Joe T. Janica
Printed Name
Agent
Title
07/27/05
Date

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 supervision and that the same is true and correct to the best of my belief.

July 8, 2005
Date Surveyed
Signature & Seal of Professional Surveyor
JSR
W.O. Num. 2005-0650
Certificate No. MACON McDONALD 12185

1. Drill 26" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
2. Drill 17½" hole to 350'. Run and set 350' of 13 3/8" 48# H-40 ST&C casing. Cement with 400 Sx. of Class "C" cement + 2% CaCl, + ¼# Flocele/Sx. circulate cement to surface.
3. Drill 12½" hole to 1250'. Run and set 1250' of 9 5/8" 40# J-55 ST&C casing. Cement with 500 Sx. of Class "C" cement + 2% CaCl, + 5% NaCl, + 6% Bentonite, + ¼# Flocele/Sx, tail in with 200 Sx. of Class "C" cement + 2% CaCl, + ¼# Flocele/Sx. Circulate cement to surface.
4. Drill 8 3/4" hole to 5000'. Run and set 5000' of 7" 26# L-80 LT&C casing. Cement with 500 Sx. of Class "C" cement + 6% Bentonite, + 5% Salt, + ¼# Flocele/Sx., tail in with 200 Sx. of Class "C" cement + 2% CaCl, estimate to- of cement 900' from surface.
5. Run in hole with CIBP on wireline and set at 4750'±. Run in hole with Whipstock set at 4690'± orient 180° South. Run in hole with mill and cut a window at 4690'±. Run in hole with 6 1/8" bit and bottom hole assembly to drill horizontal hole to TVD of 4940'±, MD of 8790±.
6. Run and set 4400' of 4½" 11.6# L-80 liner from 4390' to 8790'±. Cement with 425 Sx. of Class "C" Premium Plus cement + additives. Cement to top of liner.
7. Fresh water spud mud will be used to drill surfqce hole, Fresh water Gel and a Polymer system will be used to drill well to TD

There is no known presence of H₂S in this area, no H₂S has been encountered in any of the wells drilled in this area. The Bureau of Land Management does not have any record of H₂S being present here.

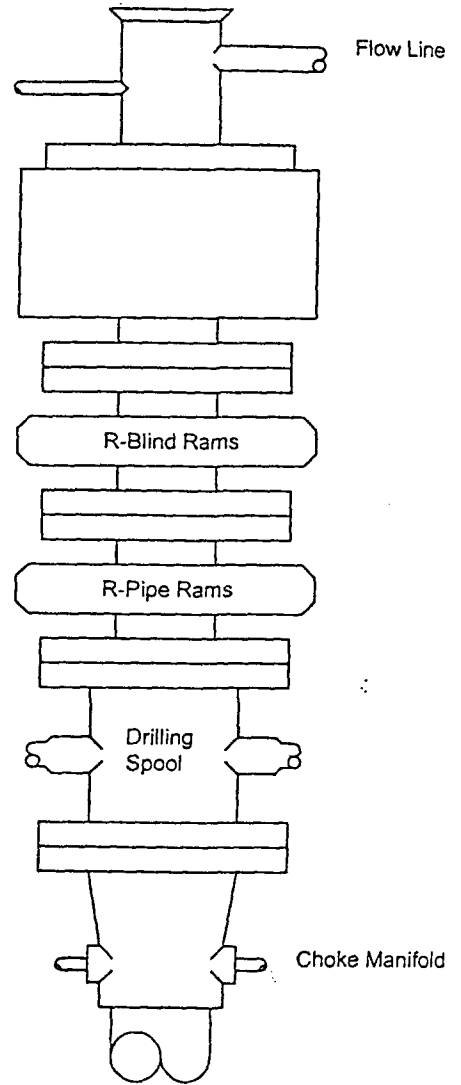
Joe T. Jamusa

BLOWOUT PREVENTER SYSTEM

3000 PSI

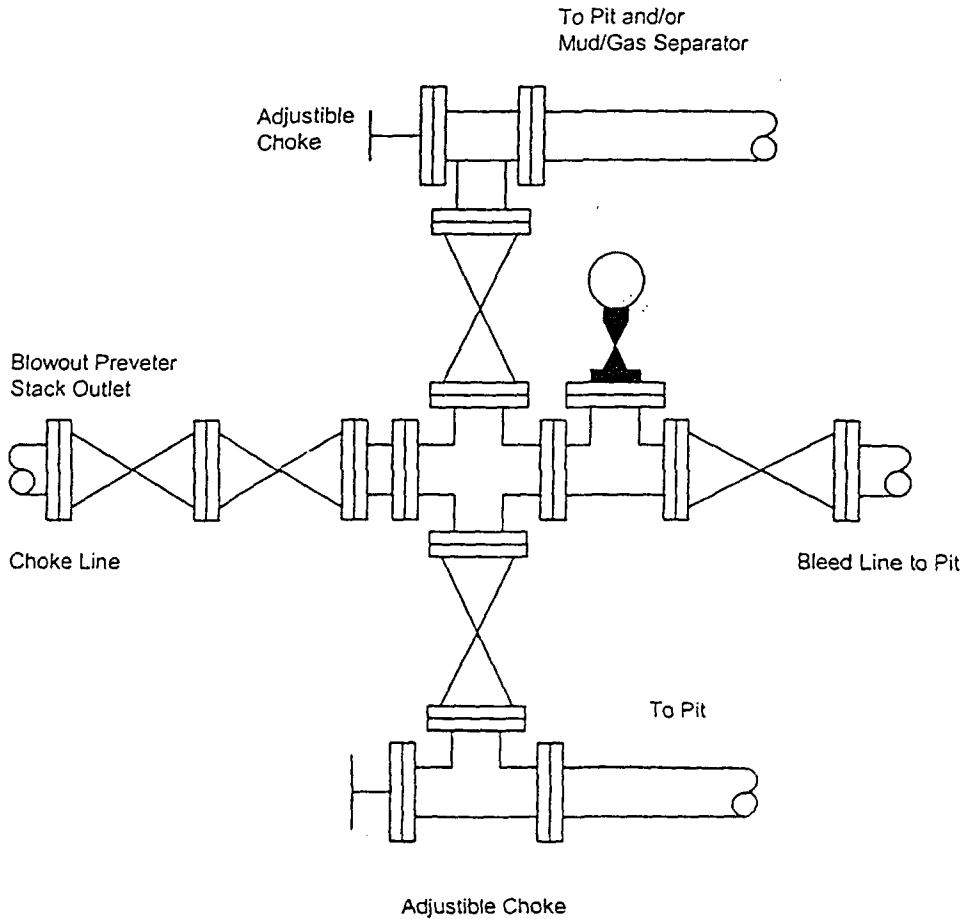
Fill Line

Flow Line



900 SERIES
3000 PSI WP

Choke Manifold Assembly for 5M WP System



Proposal

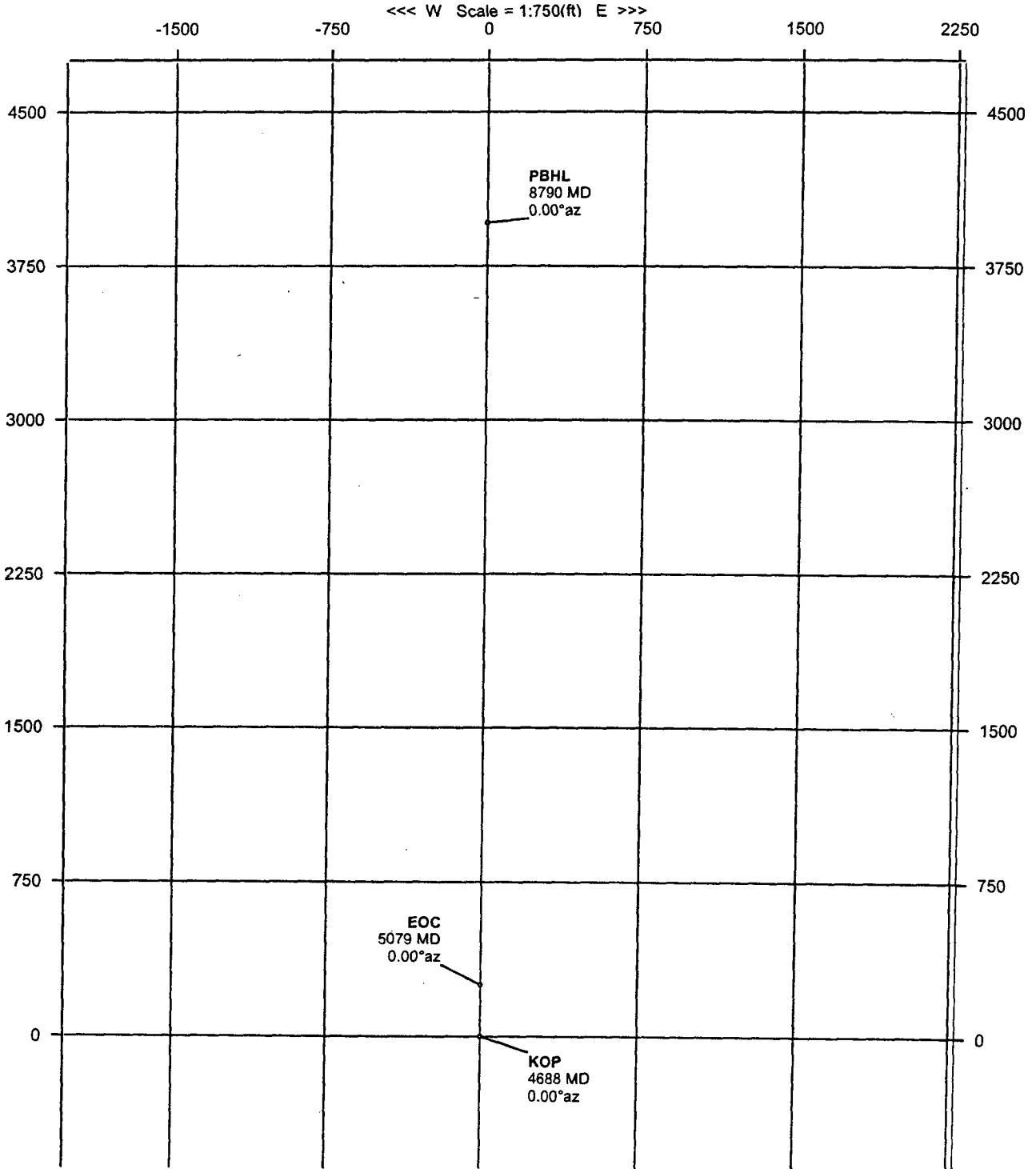
<p>Report Date: July 26, 2005 Client: Endeavor Energy Field: Eddy County, NM Nad 83 Structure / Slot: 1724 Kincaid #111 / 1724 Kincaid #111 Well: 1724 Kincaid #111 Borehole: 1724 Kincaid #111 UW/AP#: _____ Survey Name / Date: 1724 Kincaid #111_r1 / July 26, 2005 Tort / AHD / DDI / ERD ratio: 90.000° / 3960.00 ft / 5.802 / 0.802 Grid Coordinate System: NAD83 New Mexico State Planes, Eastern Zone, US Feet Location Lat/Long: N 32 27 58.536, W 104 17 54.240 Location Grid N/E Y/X: N 533358.051 ftUS, E 552111.259 ftUS Grid Convergence Angle: +0.01875232° Grid Scale Factor: 0.99990922</p>	<p>Survey / DLS Computation Method: Minimum Curvature / Lubinski Vertical Section Azimuth: 0.000° Vertical Section Origin: N 0.000 ft, E 0.000 ft TVD Reference Datum: RKB TVD Reference Elevation: 0.0 ft relative to Sea Bed / Ground Level Elevation: 0.000 ft relative to Magnetic Declination: 8.622° Total Field Strength: 49305.855 nT Magnetic Dip: 60.425° Declination Date: July 26, 2005 Magnetic Declination Model: IGRF 2005 North Reference: Grid North Total Corr Mag North -> Grid North: +8.603° Local Coordinates Referenced To: Well Head</p>
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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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00M
KOP	4687.89	0.00	0.00	4687.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00M
	4700.00	2.79	0.00	4700.00	0.29	0.29	0.00	0.29	0.00	23.00	0.00M
	4800.00	25.79	0.00	4796.25	24.80	24.80	0.00	24.80	0.00	23.00	0.00G
	4900.00	48.79	0.00	4875.28	84.98	84.98	0.00	84.98	0.00	23.00	0.00G
	5000.00	71.79	0.00	4924.52	171.25	171.25	0.00	171.25	0.00	23.00	0.00G
EOC	5079.19	90.00	0.00	4937.00	249.11	249.11	0.00	249.11	0.00	23.00	0.00G
PBHL	8790.08	90.00	0.00	4937.00	3960.00	3960.00	0.00	3960.00	0.00	0.00	0.00G

Endeavor Energy

WELL: 1724 Kincaid #111 FIELD: Eddy County, NM Nad 83 STRUCTURE: 1724 Kincaid #111

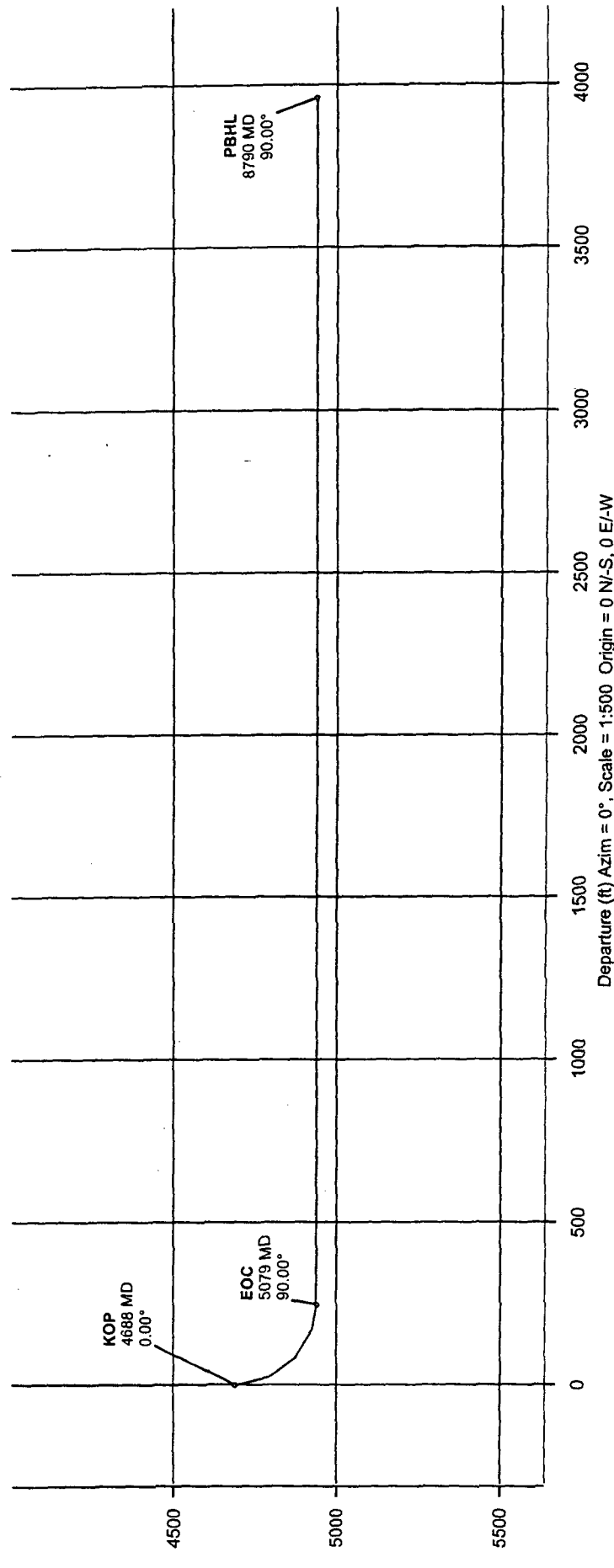
Magnetic Parameters Model: IGRF 2005 Dip: 80.425° Mag Dec: +8.822°		Surface Location Date: July 26, 2005 PS: 49305.9 nT		NAD83 New Mexico State Plane, Eastern Zone, US Feet Lat: N32 27 58.536 Northing: 533356.05 ftUS Lon: W104 17 54.240 Easting: 562111.26 ftUS Grid Conv: +0 01875232" Scale Fact: 0.999802238		Miscellaneous Well: 1724 Kincaid #111 TVD Ref: RKB (0.00 ft above) Plan: 1724 Kincaid #111_r1 Srvy Date: Tue 11:37 AM July 26, 2005	
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Endeavor Energy

WELL: 1724 Kincaid #111 FIELD: Eddy County, NM Nad 83 STRUCTURE: 1724 Kincaid #111

Microfile Parameters: IGRF 2005 Date: July 28, 2005 48355.9 mT Surface Location: N33 27 58.836 W104 17 54.240 Lot: NAD83 New Mexico State Plane, Eastern Zone, US Feet Grid Conv: +0.01875232' Scale Fact: 0.000002238 Microfile Name: 1724 Kincaid #111 TVD Ref: RKB (0.00 ft above) Svy Date: Tue 11:37 AM July 26, 2005



INTERPID
Directional Drilling Specialists

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., 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 and Natural Resources

Form C-103
 May 27, 2004

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

WELL API NO. 30-015-34248
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No. -----
7. Lease Name or Unit Agreement Name 1724 Kincaid
8. Well Number 111
9. OGRID Number 218885
10. Pool name or Wildcat Undes, Eagle Creek-Wolfcamp
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3699' GR
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>
Pit type <u>Drilling</u> Depth to Groundwater <u>100'</u> Distance from nearest fresh water well <u>250'</u> Distance from nearest surface water <u>4 miles</u>
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume <u>18M</u> bbls; Construction Material <u>Earth</u>

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.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
LCX ENERGY, LLC

3. Address of Operator
110 N. Marienfeld Ste. 200, Midland, TX 79701

4. Well Location BHL 660' FSL & 760' FWL Sec. 11
 SL Unit Letter D : 259 feet from the North line and 990 feet from the West line
 Section 11 Township 17S Range 24E NMPM County Eddy

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. 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 recompletion.

- Move location form 660' FNL & 760' FWL to 259' FNL & 990' FWL, Sec. 11, T17S-R24E. The reason for this move is to avoid residential dwellings at the original location.
- See attached Revised Drilling and Casing program.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE Sharon Hindman TITLE Regulatory Agent DATE 12/21/2005

Type or print name E-mail address: Telephone No.

APPROVED BY: TITLE DATE

Conditions of Approval (if any):

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'. 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.
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 8-3/4" hole to approx. 5100'. Set cement kick-off plug from TD to approx. 4800 ft with 150 sx H + 0.7% dispersant.
5. Dress cement top to desired kick-off point. Drill 8-3/4" 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" 15.5# 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'.

Drill surface hole and intermediate hole to 4800'± with fresh water.
Drill from 4800'± to TD with cut-brine.

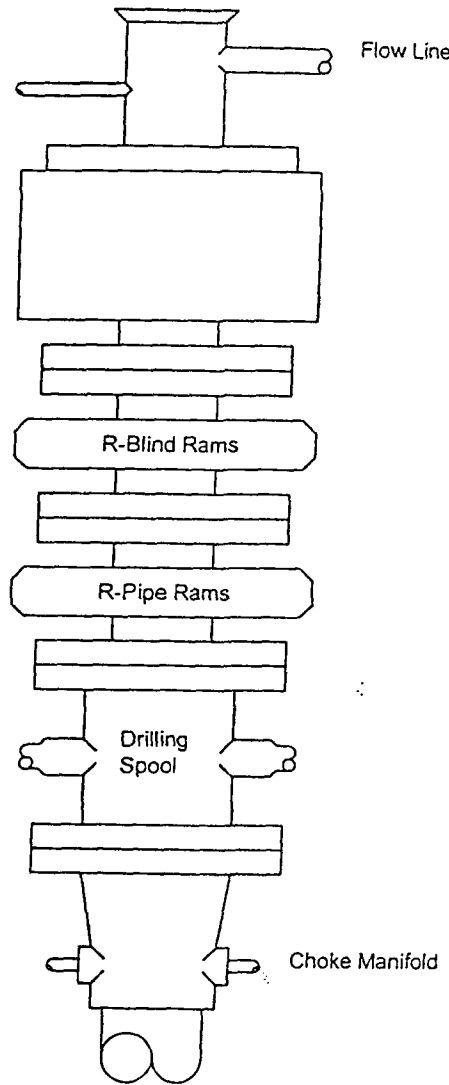
No H₂S has been encountered in any other wells drilled in this area and the BLM does not have any record of any H₂S occurring in this area.

BLOWOUT PREVENTER SYSTEM

3000 PSI

Fill Line

Flow Line



Choke Manifold Assembly for 5M WP System

To Pit and/or
Mud/Gas Separator

Adjustable
Choke

Choke Manifold

900 SERIES
3000 PSI WP

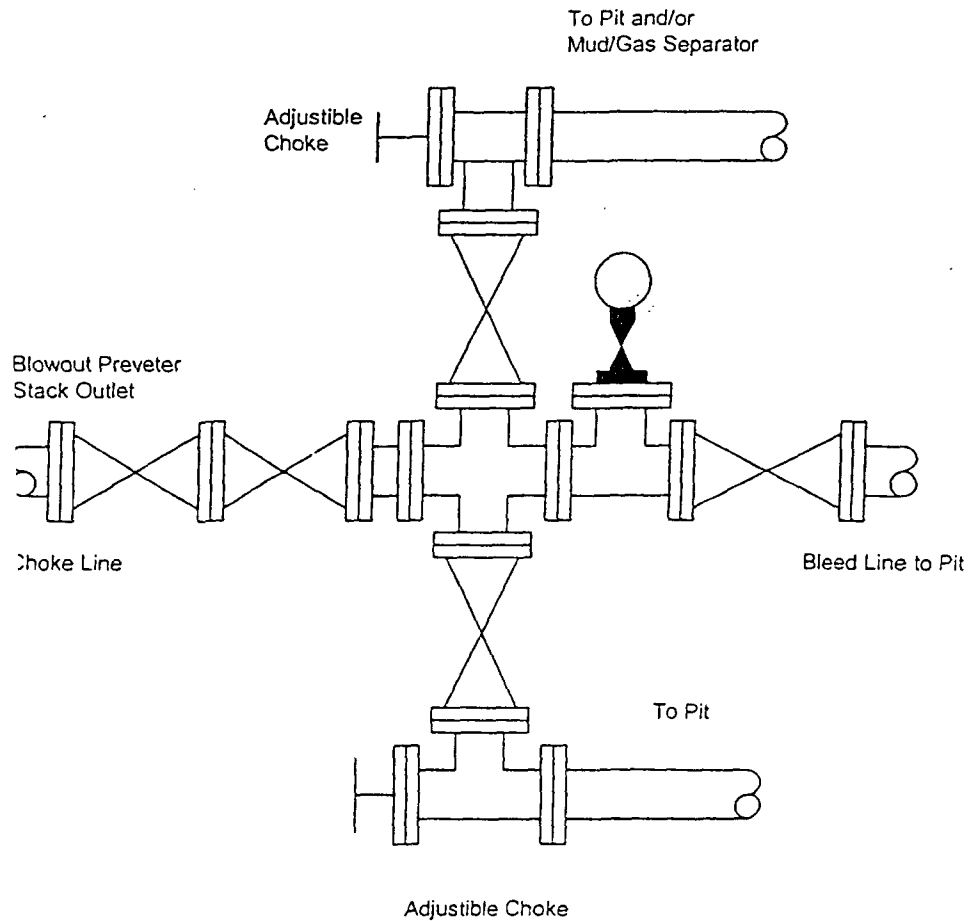
Blowout Preventer
Stack Outlet

Choke Line

Bleed Line to Pit

To Pit

Adjustable Choke



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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

AMENDED REPORT

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-34248	Pool Code	Pool Name Undes, Eagle Creek-Wolfcamp
Property Code	Property Name 1724 KINCAID	Well Number 111
OGRID No. 218885	Operator Name LCX ENERGY, LLC	Elevation 3699

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	11	17 S	24 E		259	NORTH	990	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
M	11	17 S	24 E		660	SOUTH	760	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

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

NOTE:
1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1983. Distances shown hereon are mean horizontal surface values.

OPERATOR CERTIFICATION

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

Sharon Hindman
Signature

Sharon Hindman
Printed Name

Regulatory Agent
Title

12/21/2005
Date

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 upervision and that the same is true and orrect to the best of my belief.

December 12, 2005
Date Surveyed

Signature & Seal of Professional Surveyor JSR

[Signature]

W.O. Num. 2005-0650

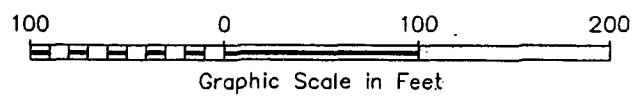
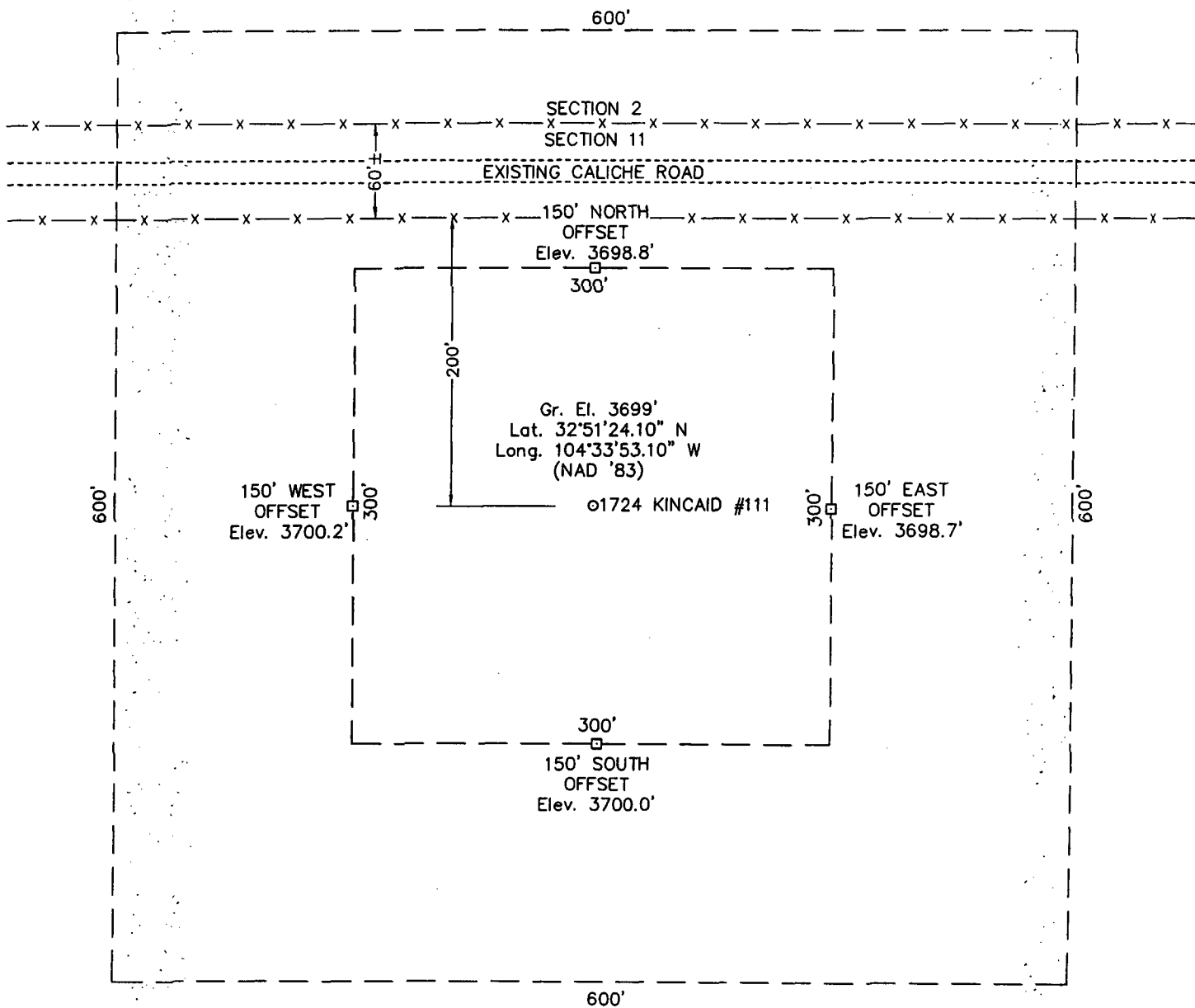
Certificate No. MACON McDONALD 12185

SECTION 11, TOWNSHIP 17 SOUTH, RANGE 24 EAST, N.M.P.M.

EDDY COUNTY

NEW MEXICO

L-2005-0650



DRIVING DIRECTIONS

FROM HIGHWAY INTERSECTION 285 & 82 IN ARTESIA, DRIVE WEST ALONG HIGHWAY 82 ABOUT 9.6 MILES, THEN TURN RIGHT AND GO NORTH ON EXISTING LEASE ROAD FOR 0.95 MILES TO A POINT. THE LOCATION IS WEST 330 FEET.

LCX ENERGY, LLC

1724 KINCAID #111

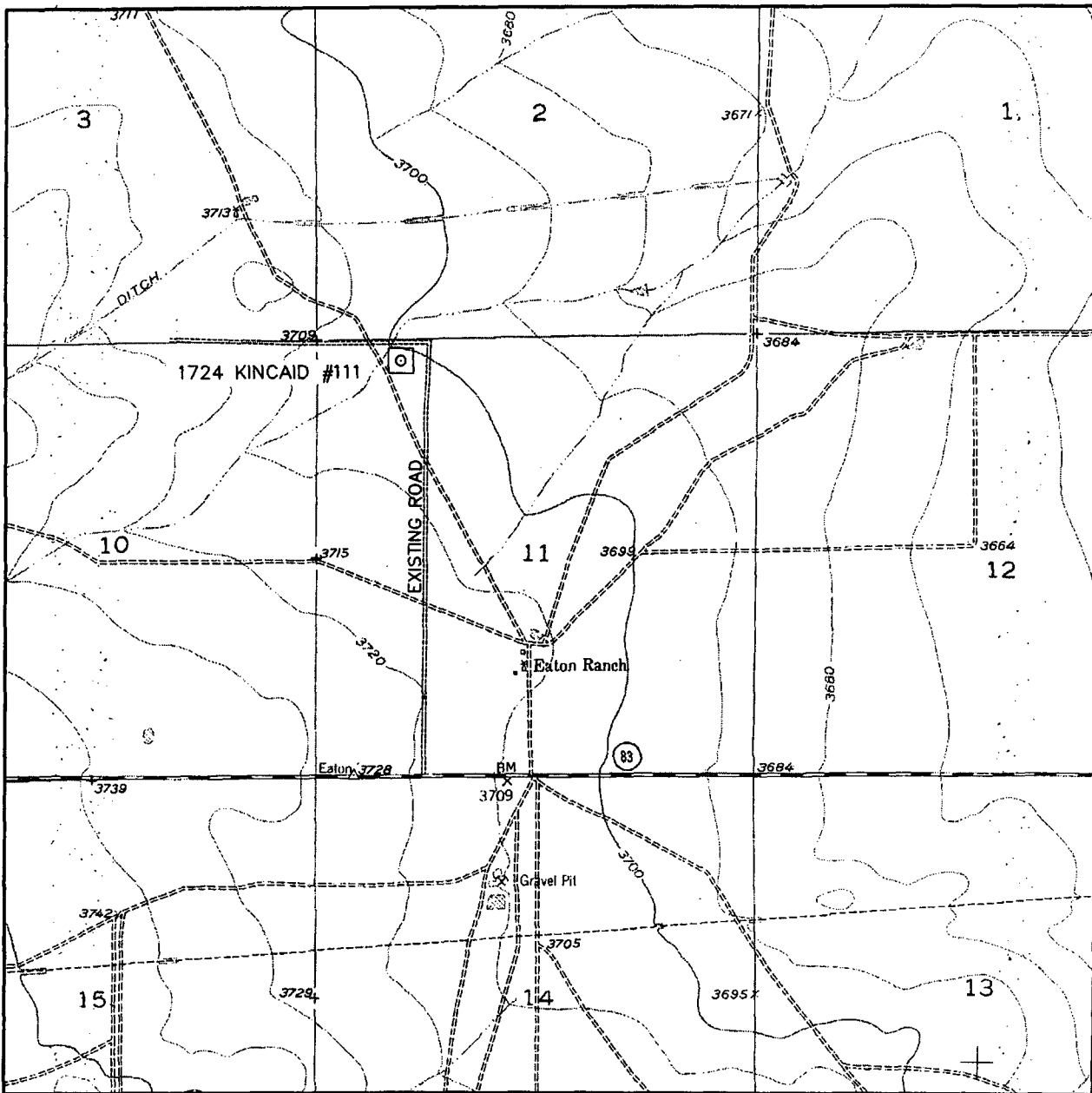
Located 259' FNL & 990' FWL, Section 11
Township 17 S, Range 24 E, N.M.P.M.
Eddy County, New Mexico

Drawn By: JSR	Date: December 15, 2005
Scale: 1"=100'	Field Book: 303 / 19-26
Revision Date:	Quadrangle: Hope SE
W.O. No: 2005-0650	Dwg. No.: L-2005-0650

**WEST
COMPANY**
of Midland, Inc.

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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HOPE SE - 20'

SEC. 11 TWP. 17-S RGE. 24-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 259' FNL & 990' FWL

ELEVATION 3699'

OPERATOR LCX ENERGY, LLC

LEASE 1724 KINCAID #111

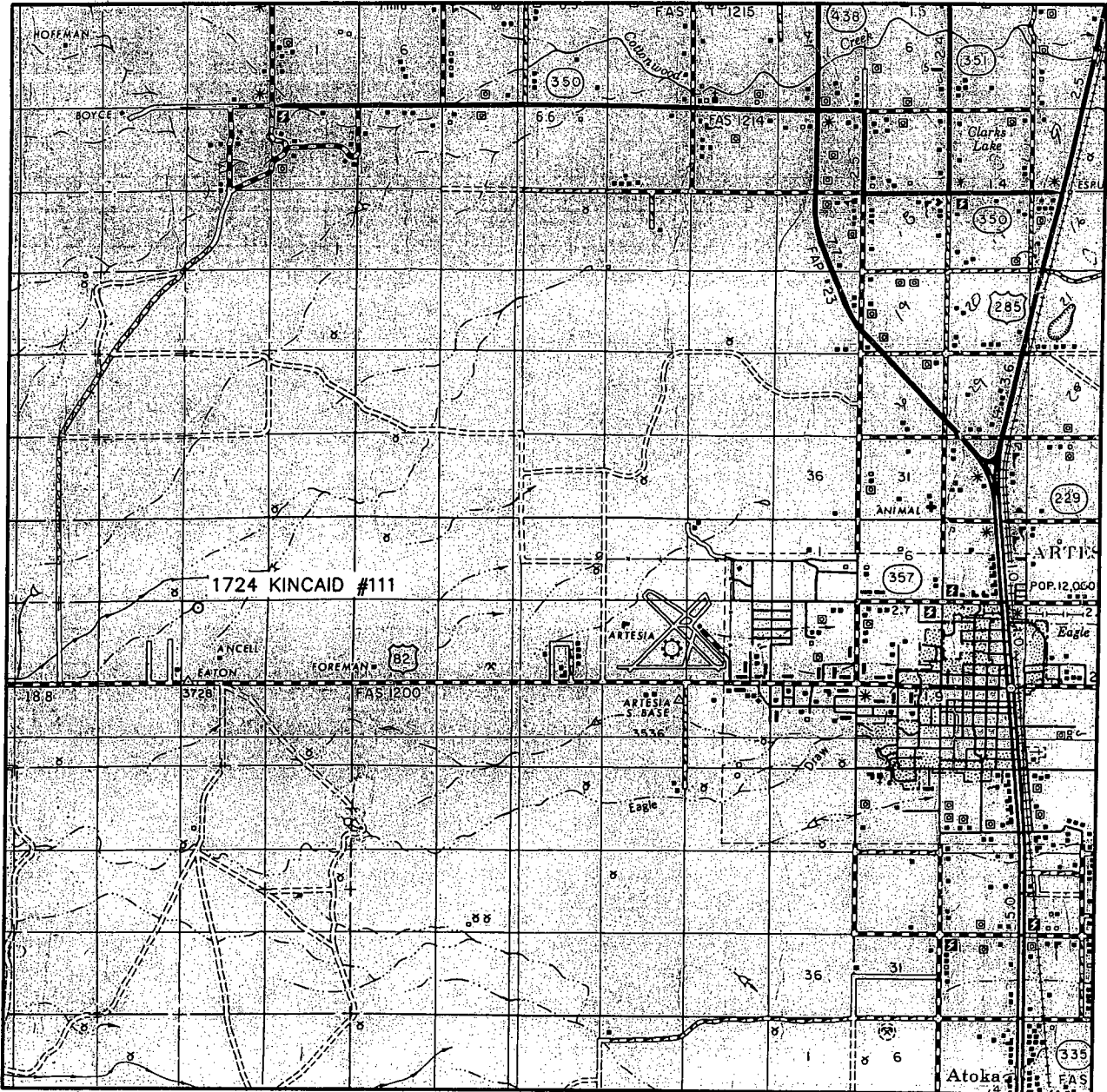
U.S.G.S. TOPOGRAPHIC MAP
HOPE SE, N.M.



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. 11 TWP. 17-S RGE. 24-E
SURVEY N.M.P.M.
COUNTY EDDY
DESCRIPTION 259' FNL & 990' FWL
ELEVATION 3699'
OPERATOR LCX ENERGY, LLC
LEASE 1724 KINCAID #111



**WEST
COMPANY**
of Midland, Inc.

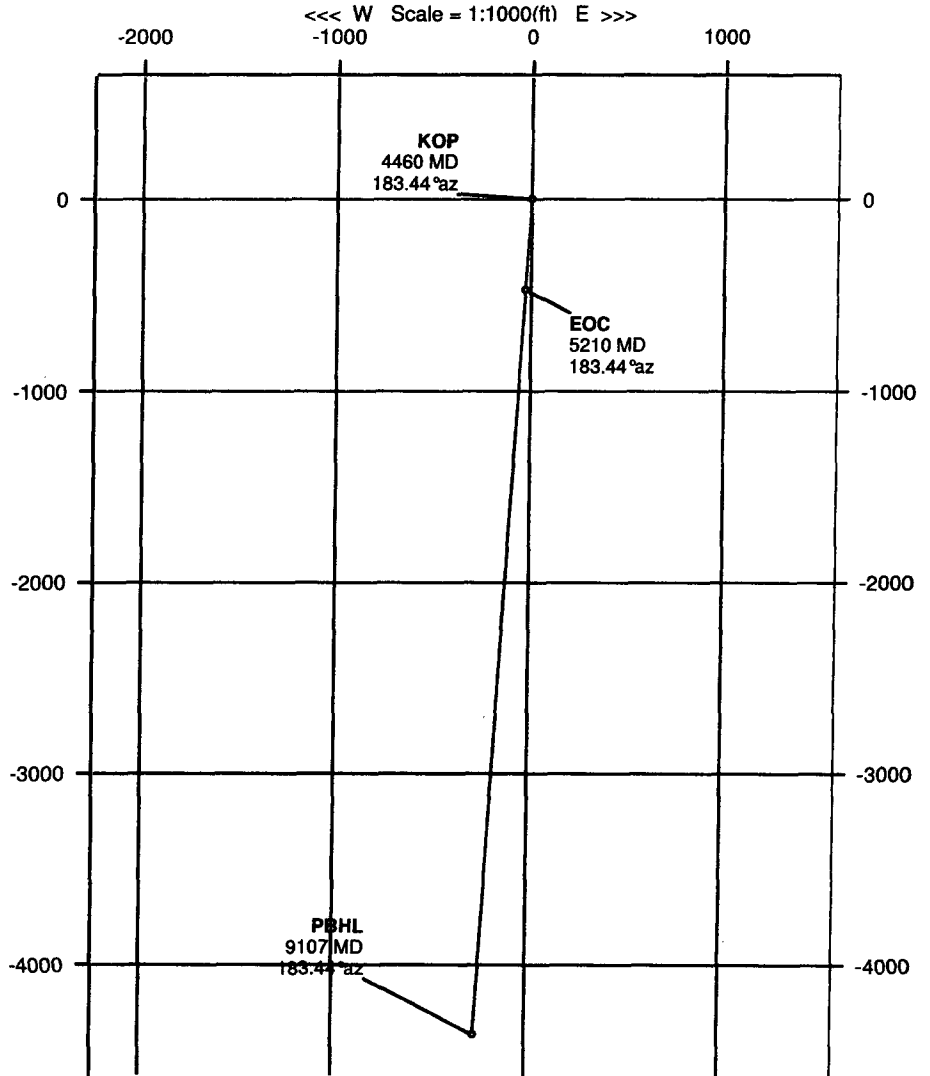
110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

LCX Energy LLC.

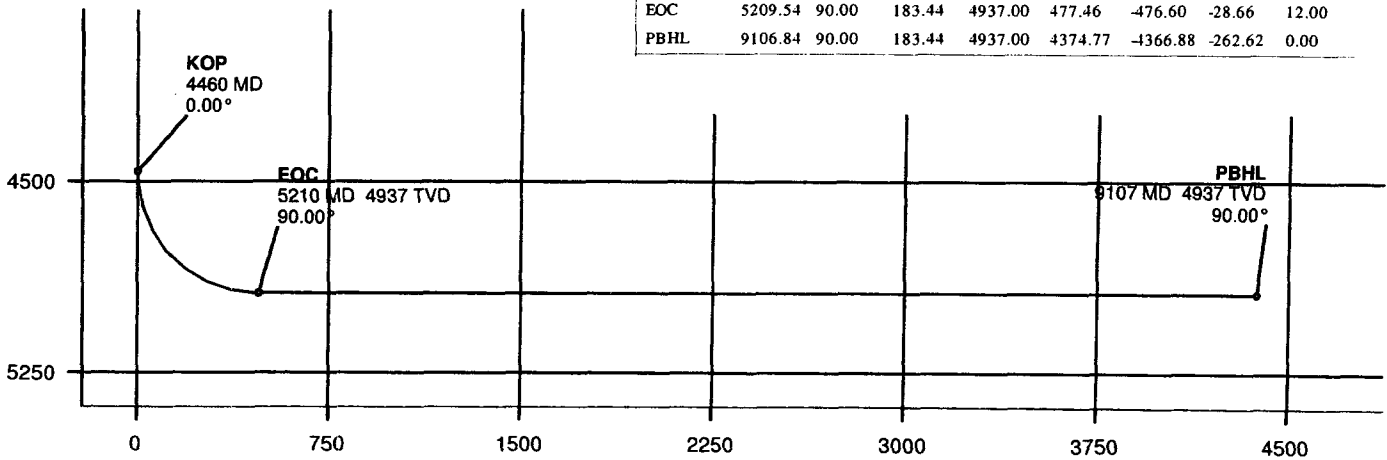
WELL	1724 Kincaid #111	FIELD	Eddy County, NM	STRUCTURE	1724 Kincaid #111
Magnetic Parameters	Dip: 60.738° Mag Dec: +8.775°	Date: July 26, 2005 FS: 49510.0 nT	Surface Location	NAD83 New Mexico State Plane, Eastern Zone, US Feet	Miscellaneous
Model: IGRF 2005		Lat: N32 51 24.099 Lon: W104 33 53.099	Northing: 675476.50 ftUS Easting: 470276.10 ftUS	Grid Conr: -0.12556300° Scale Fact: 0.9999148735	Slot: 1724 Kincaid #111 Plan: 1724 Kincaid #111.r2
					TVD Ref: RKB (0.00 ft above) Srvy Date: Tue 02:46 PM December 20, 2005



INTREPID
Directional Drilling Specialists



Critical Points								
Critical Point	MD	INCL	AZIM	TVD	VSEC	N(+)/S(-)	E(+)/W(-)	DLS
Tie-In	0.00	0.00	183.44	0.00	0.00	0.00	0.00	0.00
KOP	4459.54	0.00	183.44	4459.54	0.00	0.00	0.00	0.00
EOC	5209.54	90.00	183.44	4937.00	477.46	-476.60	-28.66	12.00
PBHL	9106.84	90.00	183.44	4937.00	4374.77	-4366.88	-262.62	0.00



Departure (ft) Azim = 183.44°, Scale = 1:750 Origin = 0 N/-S, 0 E/-W

Proposal

Report Date: December 20, 2005 Client: LCX Energy LLC. Field: Eddy County, NM Nad 83 Structure / Slot: 1724 Kincaid #111 / 1724 Kincaid #111 Well: 1724 Kincaid #111 Borehole: 1724 Kincaid #111 UWI/AP#: Survey Name / Date: 1724 Kincaid #111_r2 / December 20, 2005 Tort / AHD / DDI / ERD ratio: 90.000° / 4374.77 ft / 5.861 / 0.886 Grid Coordinate System: NAD83 New Mexico State Planes, Eastern Zone, US Feet Location Lat/Long: N 32 51 24.099, W 104 33 53.099 Location Grid N/E Y/X: N 675476.500 ftUS, E 470276.100 ftUS Grid Convergence Angle: -0.12555308° Grid Scale Factor: 0.99991487	Survey / DLS Computation Method: Minimum Curvature / Lubinski Vertical Section Azimuth: 183.440° Vertical Section Origin: N 0.000 ft, E 0.000 ft TVD Reference Datum: RKB TVD Reference Elevation: 0.0 ft relative to Sea Bed / Ground Level Elevation: 0.000 ft relative to Magnetic Declination: 8.775° Total Field Strength: 49509.962 nT Magnetic Dip: 60.738° Declination Date: July 26, 2005 Magnetic Declination Model: IGRF 2005 North Reference: Grid North Total Corr Mag North -> Grid North: +8.901° Local Coordinates Referenced To: Well Head
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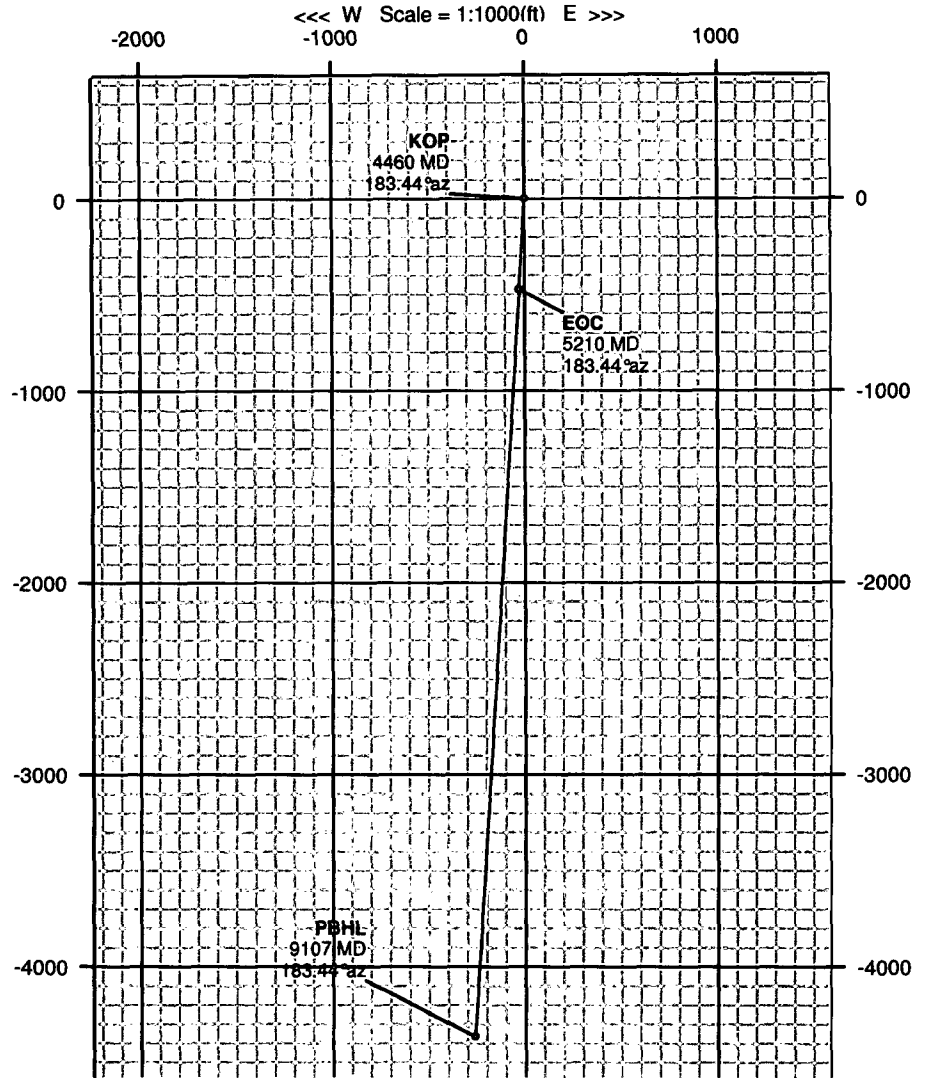
Comments	Measured Depth (ft)	Inclination (deg)	Azimuth (deg)	TVD (ft)	Vertical Section (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (deg)	DLS (deg/100 ft)	Tool Face (deg)
ie-In	0.00	0.00	183.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-176.56M
OP	4459.54	0.00	183.44	4459.54	0.00	0.00	0.00	0.00	0.00	0.00	-176.56M
	4500.00	4.86	183.44	4499.95	1.71	-1.71	-0.10	1.71	183.44	12.00	-176.56M
	4600.00	16.86	183.44	4597.98	20.51	-20.48	-1.23	20.51	183.44	12.00	0.00G
	4700.00	28.86	183.44	4689.96	59.28	-59.18	-3.56	59.28	183.44	12.00	0.00G
	4800.00	40.86	183.44	4771.87	116.33	-116.12	-6.98	116.33	183.44	12.00	0.00G
	4900.00	52.86	183.44	4840.13	189.16	-188.82	-11.36	189.16	183.44	12.00	0.00G
	5000.00	64.86	183.44	4891.76	274.59	-274.10	-16.48	274.59	183.44	12.00	0.00G
	5100.00	76.86	183.44	4924.49	368.89	-368.22	-22.14	368.89	183.44	12.00	0.00G
	5200.00	88.86	183.44	4936.90	467.93	-467.09	-28.09	467.93	183.44	12.00	0.00G
OC	5209.54	90.00	183.44	4937.00	477.46	-476.60	-28.66	477.46	183.44	12.00	0.00G
BHL	9106.84	90.00	183.44	4937.00	4374.77	-4366.88	-262.62	4374.77	183.44	0.00	0.00G

LCX Energy LLC.

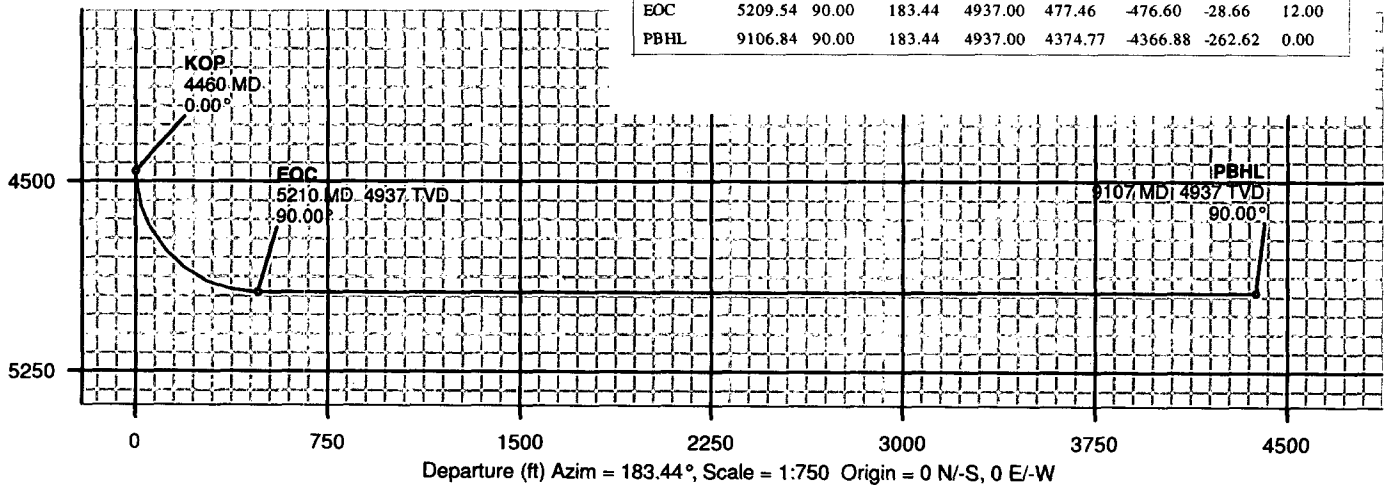
WELL	1724 Kincaid #111	FIELD	Eddy County, NM	STRUCTURE	1724 Kincaid #111
Magnetic Parameters	Dip: 60.736° Mag Dec: +8.775°	Date: July 26, 2005 FS: 48610.0 nT	Surface Location Lat: N32 51 24.099 Lon: W104 33 53.099	NAD83 New Mexico State Plane, Eastern Zone, US Feet Grid Conv: -0.1255308° Scale Fact: 0.9899148735	Miscellaneous Site: 1724 Kincaid #111 Plan: 1724 Kincaid #111.r2 TVD Ref: RKB (0.00 ft above) Srvy Date: Tue 02:46 PM December 20, 2005



INTREPID
Directional Drilling Specialists



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Proposal

Report Date: December 20, 2005 Client: LCX Energy LLC. Field: Eddy County, NM Nad 83 Structure / Slot: 1724 Kincaid #111 / 1724 Kincaid #111 Well: 1724 Kincaid #111 Borehole: 1724 Kincaid #111 UWI/API#: Survey Name / Date: 1724 Kincaid #111_r2 / December 20, 2005 Tort / AHD / DDI / ERD ratio: 90.000° / 4374.77 ft / 5.861 / 0.886 Grid Coordinate System: NAD83 New Mexico State Planes, Eastern Zone, US Feet Location Lat/Long: N 32 51 24.099, W 104 33 53.099 Location Grid N/E Y/X: N 675476.500 ftUS, E 470276.100 ftUS Grid Convergence Angle: -0.12555308° Grid Scale Factor: 0.99991487	Survey / DLS Computation Method: Minimum Curvature / Lubinski Vertical Section Azimuth: 183.440° Vertical Section Origin: N 0.000 ft, E 0.000 ft TVD Reference Datum: RKB TVD Reference Elevation: 0.0 ft relative to Sea Bed / Ground Level Elevation: 0.000 ft relative to Magnetic Declination: 8.775° Total Field Strength: 49509.962 nT Magnetic Dip: 60.738° Declination Date: July 26, 2005 Magnetic Declination Model: IGRF 2005 North Reference: Grid North Total Corr Mag North -> Grid North: +8.901° Local Coordinates Referenced To: Well Head
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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)
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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 30, 2006

LCX Energy LLC
110 N. Marienfeld
Suite 200
Midland, Texas 79701

Attention: Mr. Larry Gillette

Re: 1724 Kincaid No. 111
Section 11, Township 17 South, Range 24 East, NMPM,
Eddy County, New Mexico

Dear Mr. Gillette:

Due to Mike Stogner's absence, I have today been assigned to review your application for an unorthodox Wolfcamp gas well location for the above-described well. After review, I have determined that two additional items will be required to approve this application.

- (1) Please submit a topographic map or other documentation that will demonstrate that the proposed unorthodox surface location is necessary;
- (2) Pursuant to Division Rule 104(F) and 1210(A)(2), please be advised that you will be required to provide notice of this unorthodox well location to the affected offset operator, lessee or mineral interest owner. Based upon your information, it appears that acreage in Section 2 and possibly Section 3 may be affected. Please provide me with a list of parties that will be provided notice of this application. It will be necessary to wait 20 days after the notification date to allow for the filing of any objections to the application. Provided there are no objections, you may expect approval of this application approximately 20 days after you provide notice.

If you should have any questions, please contact me at (505) 476-3466 or E-mail me at david.catanach@state.nm.us.

LCX Energy, LLC
1724 Kincaid No. 111
Unorthodox Location Request
January 30 2006

Sincerely,

A handwritten signature in cursive script, appearing to read "David Catanach". The signature is written in black ink and is positioned above the printed name.

David Catanach

Xc: OCD-Artesia

Catanach, David, EMNRD

From: Larry Gillette [Larryg@eeronline.com]
Sent: Friday, February 03, 2006 8:03 AM
To: Catanach, David, EMNRD
Subject: RE: 1724 Kincaid No 111, Eddy County, NM

David,

Thanks for your help. I will get the requested information to you as soon as possible.

Larry Gillette
 LCX Energy LLC

-----Original Message-----

From: Catanach, David, EMNRD [mailto:david.catanach@state.nm.us]
Sent: Friday, February 03, 2006 8:59 AM
To: Larry Gillette
Subject: RE: 1724 Kincaid No 111, Eddy County, NM

Larry,

Thank You. Your E-mail clears up my concern with regards to the offset acreage. However, I would still like to see something from you guys that shows the house and the water well, and whatever other surface obstructions prevented you from drilling at a standard location. The Division requires some sort of documentation to support your request. None of your exhibits show these surface obstructions. You might want to send a satellite photo, easily obtainable online from Google. I will continue to process your applications upon receipt of the additional documentation I require.

By the way, this also applies to the Osborne well.

Thanks,

David Catanach
 Engineer

From: Larry Gillette [mailto:Larryg@eeronline.com]
Sent: Thursday, February 02, 2006 2:36 PM
To: Catanach, David, EMNRD
Subject: 1724 Kincaid No 111, Eddy County, NM

David,

Thanks for your reply concerning the above unorthodox location. On the two additional items you needed # 1, this location was moved because of an existing house we were pretty close to and wanted to accommodate the homeowner and move as far as we could. Also there was an existing water well that we had to avoid straight north of the original location. Topography was not an issue with this well location. # 2, LCX Energy has Sections 2, 3, 11 and the W/2 – 12 leased. With our location 990' FWL and 259' FNL we will only affect section 2 as to our location being too close to the lease line. Our plans are to perforate in the horizontal section of the hole at an orthodox location of 660 ft from the north line. Please refer to your Adm Order NSL-5261 (BHL) that LCX received to do the same type of completion in our 1625 Fed Com No 271 well last August. (ATTACHED)

Thanks for your help and if you have any further questions concerning this application please call me at 432-848-0218 or e-mail at larryg@eeronline.com.

Larry Gillette
LCX Energy LLC
=00

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

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Have a great day!

=00

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Catanach, David, EMNRD

From: Larry Gillette [Larryg@eeronline.com]
Sent: Tuesday, February 07, 2006 3:17 PM
To: Catanach, David, EMNRD
Subject: 1724 Kincaid 111, Eddy Co.



X3e_35D12183.pdf
(464 KB)

David,

Please find the attached plat showing the original location and the new location for the Kincaid well. This plat shows how the old and new locations set in relationship to the house and water well.

Please let me know if you need any further information concerning this well location.

Thanks,

Larry Gillette
LCX Energy LLC

PS. We have some leasing problems on the Osbourne well to the west. I would set this request aside for right now. I will get back to you in a couple of months on this.

-----Original Message-----

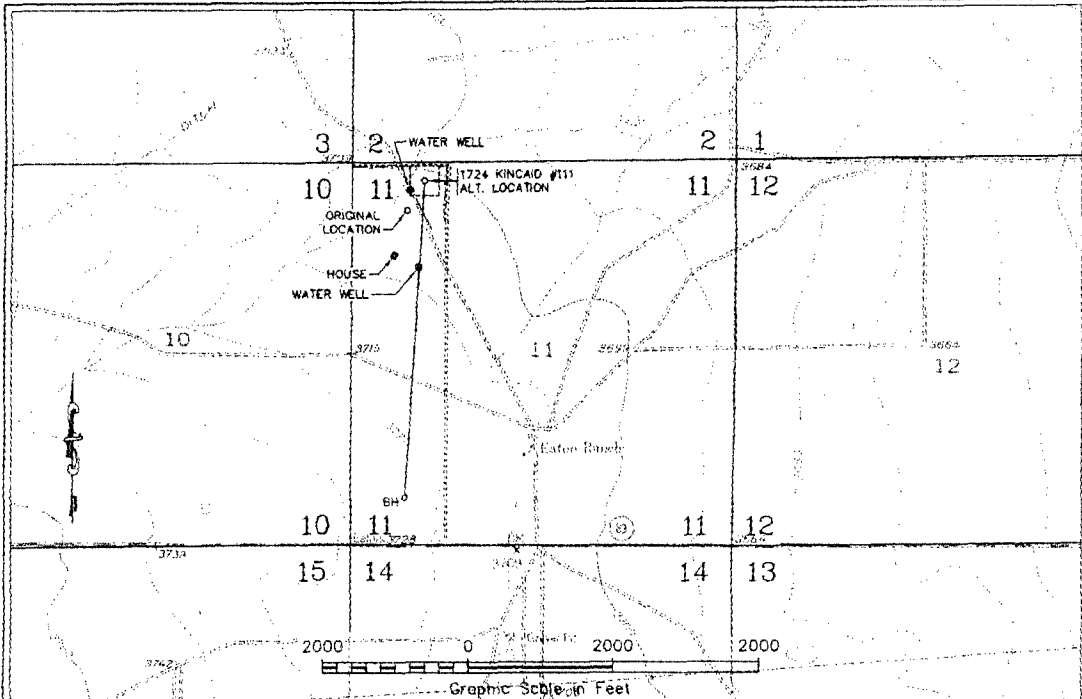
From: kyocera_c3130@eeronline.com [mailto:kyocera_c3130@eeronline.com]
Sent: Tuesday, February 07, 2006 4:12 PM
To: Larry Gillette
Subject: X3e_35D12183 has been scanned

The following document has been scanned on the Fiery and attached to this email:

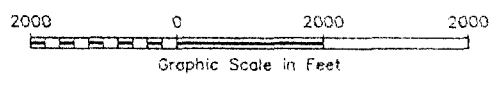
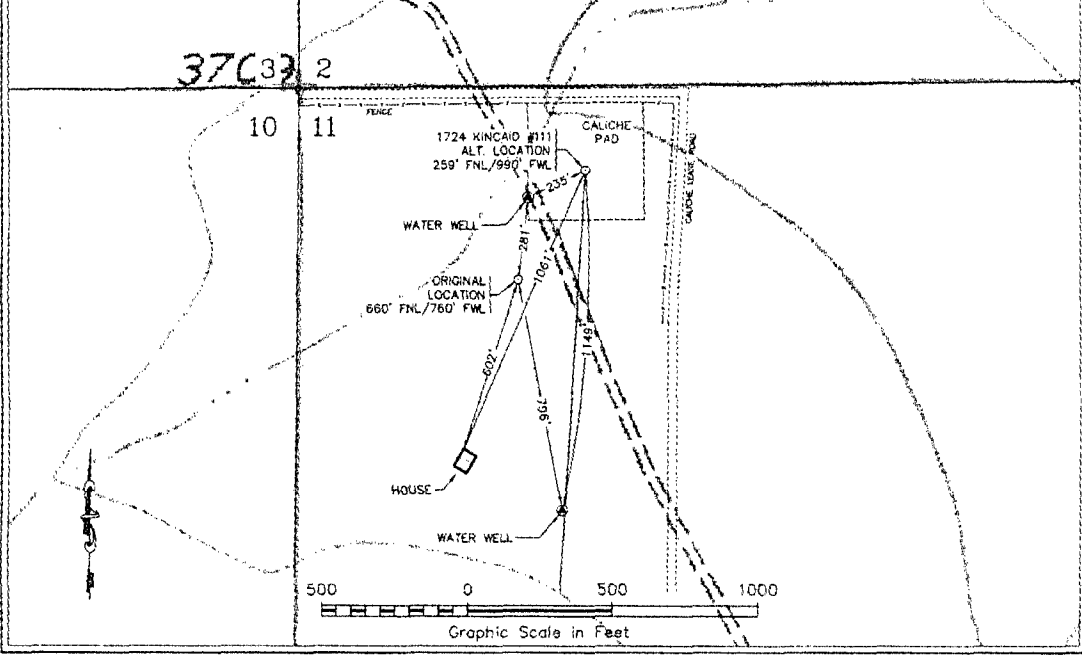
X3e_35D12183.pdf

SECTION 11, TOWNSHIP 17 SOUTH, RANGE 24 EAST, N.M.P.M.
 EDDY COUNTY NEW MEXICO

L-2005-0650



DETAIL



DRIVING DIRECTIONS

FROM HIGHWAY INTERSECTION 285 & 82 IN ARTESIA, DRIVE WEST ALONG HIGHWAY 82 ABOUT 9.6 MILES, THEN TURN RIGHT AND GO NORTH ON EXISTING LEASE ROAD FOR 0.95 MILES TO A POINT. THE LOCATION IS WEST 330 FEET.

LCX ENERGY, LLC

**SKETCH OF THE
 1724 KINCAID #111**
 Located 259' FNL & 990' FWL, Section 11
 Township 17 S, Range 24 E, N.M.P.M.
 Eddy County, New Mexico

Drawn By: JSR	Date: January 7, 2006
Scale: 1"=2000'	Field Book:
Revision Date:	Quadrangle: Hope SE
W.O. No: 2005-0650	Dwg. No.: L-2005-0650

**WEST
 COMPANY**
 of Midland, Inc.

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