# LCX Energy, LLC



January 6, 2006

Ms. Meg Mulinghause Land Advisor **Devon Energy Corporation** 20 North Broadway Oklahoma City, OK. 73102-8260

Re:

LCX Energy LLC 1725 Fed Com No. 61 W/2 Sec. 6, T-17-S, R-25-E, N.M.P.M.

Eddy County, New Mexico

Dear Ms. Mulinghause,

Thank you for your December 6, 2005 letter on the above well. As you have correctly noted, the references to the 1625 State Com No. 201 are the result of a word processing error and should be disregarded.

As before, LCX reiterates its request for Devon to voluntarily participate in the 1725 Fed Com No. 61 well. Toward that end, we are enclosing an itemization of actual drilling costs incurred to date and daily drilling reports. The well has reached total depth, but LCX has temporarily delayed completion of the well to allow Devon the opportunity to indicate whether it will join in the well. Please have Devon indicate its intentions in the next ten days by signing and returning the enclosed operating agreement. On receipt of Devon's share of estimated drilling and completion costs, we will provide you with copies of the title opinion for the spacing unit and well logs.

It is our preference to obtain Devon's voluntary participation in the well rather than to seek its compulsory joinder. Further, in these circumstances, there is no realistic basis for the suggestion that operations should be transferred to Devon. In our view, to ask the Oil Conservation Division to assume the burden of resolving a dispute over operations in this case is both unwarranted and unnecessary. In this regard, Devon is specifically requested to discontinue further interference with the contractual relationships between LCX and the other non-operating working interest owners in the well.

We look forward to working with you to resolve this matter. Should you wish to discuss further, please do not hesitate to call me.

Sincerely,

LCX Energy, LLC

Frank G. Nix

Landman

Encl.

NMOCD CASE NO. 13628 MARCH 2. 2006 LCX ENERGY, LLC EXHIBIT NO. 7

# A.A.P.L. FORM 610 - 1989

# MODEL FORM OPERATING AGREEMENT

## **OPERATING AGREEMENT**

DATED

October 1 , 2005 ,
OPERATOR LCX Energy, L.L.C.
CONTRACT AREA W/2 Section 6, Township 17 South, Range 25 East, from surface to the
Stratigraphic equivalent of 4,918 feet identified by the Schlumberger Compensated
Neutron Density Log for the Mesa Petroleum Co. Catclaw State No. 1 Well located 1,980
feet FNL and 1,980 feet FEL of Section 31, T-17-S, R-24-E, N.M.P.M., Eddy County,
New Mexico.
COUNTY OR PARISH OF EDDY , STATE OF NEW MEXICO

COPYRIGHT 1989 – ALL RIGHTS RESERVED AMERICAN ASSOCIATION OF PETROLEUM LANDMEN, 4100 FOSSIL CREEK BLVD. FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 - 1989

#### **EXHIBIT "A"**

Attached to and made a part of that certain Operating Agreement dated October 1, 2005 by and between LCX ENERGY, LLC, as Operator and Devon Energy Production Company, L.P., et al, as Non-operators

#### LCX Energy, LLC - 1725 Fed-Com No. 61

#### 1. DESCRIPTION OF LANDS SUBJECT TO THIS AGREEMENT:

All of the W/2 of Section 6, T-17-S, R-25-E, NMPM, Eddy County, New Mexico, containing 319.94 acres, more or less, and limited to the depths described in paragraph 2, next below.

#### 2. RESTRICTIONS, IF ANY, AS TO DEPTHS, FORMATIONS OR SUBSTANCES:

All depths from the surface down to the stratigraphic equivalent of the base of the Horizontal Target Objective. The Horizontal Target Objective is the Abo/Wolfcamp formation, being found at that interval from a subsurface depth of 3,725 feet down to 4,918 feet as identified by the Schlumberger Compensated Neutron Formation Density Log for the Mesa Petroleum Co. Catclaw State No. 1 well located 1,980 feet FNL and 1,980 feet FEL of Section 31, T-17-S, R-24-E, NMPM, Eddy County, New Mexico.

#### 3. PARTIES TO THE AGREEMENT:

LCX ENERGY, LLC 110 N. Marienfeld, Suite 200 Midland, Texas 79701 Telephone : 432-687-1575

Parallel Petroleum Corporation 1004 N. Big Spring, Sulte 400 Midland, Texas 79701 Telephone: 432-684-3727

Eiger Exploration, Inc. P.O. Box 2623 Midland, Texas 79702 Telephone: 432-687-0344

Devon Energy Corporation 20 North Broadway Oklahoma City, OK 73102-8260 Telephone: 405-228-4416 Capstone Oil & Gas Company, L.P. P.O. Box 10187 (79702) 203 W. Wall Street, Suite 1201 Midland, Texas 79701 Telephone: 432-682-5565

CMW Interests, Inc. 24 Smith Road, Suite 405 Midland, Texas 79705 Telephone: 432-349-6267

EOG Resources, Inc. P.O. Box 2267 Midland, Texas 79702 Telephone: 432-686-3730

Dorchester Minerals Operating LP 3838 Oak Lawn Avenue Suite 300 Dallas, TX 75219-4541 Telephone: 214-559-0300

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

OWNER	Working Interest Before Payout	Working Interest After Payout
LCX ENERGY, LLC * **	35.287717%	35.204229%
PARALLEL PETROLEUM		
CORPORATION * **	3.920857%	3.911581%
CAPSTONE OIL & GAS		
COMPANY, L.P. * **	5.765967%	5.752325%
CMW INTERESTS, INC. * **	0.000000%	0.144149%
ELGER EXPLORATION, INC. *		
**	0.576597%	0.575232%
EOG RESOURCES * **	15.375911%	15.339533%
DEVON ENERGY	1	
CORPORATION	37.510158%	37.510158%
DORCHESTER MINERALS		
OPERATING LP	1.562793%	1.562793%
TOTAL	100.00000%	100.000000000%

<sup>\*</sup> Parties to a Leasehold Exchange and Area of Mutual Interest Agreement dated January 15, 2004 providing for a 25% backin at payout.

\*\* Parties to a Leasehold Exchange and Area of Mutual Interest Agreement dated January 15, 2004 naming LCX Energy, LLC as Operator.

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

# Tract No. 1

	Haci No. I	
Lease Recording Information: Lease Date: Lease Term: Lessor:	Book 502, Page 453, Correction in Book 531, Page 427 February 19, 2003 Three (3) years Sarah Lew Link Grimes M. Craig Clark	
Original Lessee:		
Present Lessee:	EOG Resources, Inc., et al	
Description of Land Committed:	Insofar and only insofar as said lease of	covers
	the Lots 4 & 5 of Section 6,	
	T-17-S, R-25-E, Eddy County, New Me	exico
No. of Acres:	80.00	
Royalty Rate:	22.5%	
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
Maine and I brook Office Offices.	Jerry B. Elger, et ux	0.7500%**
	ony D. Eigor, ot an	0.102070
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
•	CMW interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%
Laura Baratallan I. 6 11		•
Lease Recording Information: Lease Date:	Book 502, Page 454, Correction in Bo	ок 531, Page 428
	February 3, 2003	
Lease Term:	Three (3) years	
Lessor.	Matthews-Link Properties, Ltd.	
Original Lessee:	M. Craig Clark	
Present Lessee:	EOG Resources, Inc., et al	
Description of Land Committed:	Insofar and only insofar as said lease	covers
÷	the Lots 4 & 5 of Section 6,	
	T-17-S, R-25-E, Eddy County, New M	exico
No. of Acres:	80.00	
Royalty Rate:	22.5%	
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, et ux	0.7500%**
Name and Percent WI Owner:	LCX Energy, LLC	57,3750%
	EOG Resources, Inc.	25,0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
·	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%
	Eiger Exploration, Inc.	0.537576
Lease Recording Information:	Book 488, Page 880	
Lease Date:	November 12, 2002	
Lease Term:	Three (3) years	•
Lessor:	Charles D. Vertrees, Jr.	
Original Lessee:	M. Craig Clark	
Present Lessee:	EOG Resources, Inc., et al	
Description of Land Committed:	Insofar and only insofar as said lease	covers
	the Lots 4 & 5 of Section 6,	
	T-17-S, R-25-E, Eddy County, New M	Mexico
No. of Acres:	80.00	
Royalty Rate:	15.625%	
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
Traine and Forecatt Oracle Owners,	Jerry B. Elger, et ux	0.7500%**
	EOG Resources, Inc.	6.3750%*
	200 , 10000.003, 1110.	0.0.0070
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%
	EOG Resources, Inc.	25.0000%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%
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	5	D I- 400 D 000		
	Recording Information:	Book 488, Page 886		
Lease	Date: Term:	November 12, 2002		
Lease		Three (3) years		
	al Lessee:	Raiph W. Vertrees M. Craio Clark		
	nt Lessee:	EOG Resources, Inc., et al	,	
	iption of Land Committed:	Insofar and only insofar as said lease covers		
Descri	puon or Land Committee.	the Lots 4 & 5 of Section 6,		
		T-17-S, R-25-E, Eddy County, New M	evico	
No of	Acres:	80.00	CAICO	
	ty Rate:	15.625%		
	.,	10102010		
Name	and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**	
		Jerry B. Eiger, et ux	0.7500%**	
		EOG Resources, Inc.	6.3750%*	
		· · ·		
Name	and Percent WI Owner:	LCX Energy, LLC	57.3750%	
		EOG Resources, Inc.	25.0000%	
		Capstone Oil & Gas Company, LP	9.3750%	
		Parallel Petroleum Corporation	6.3750%	
	•	CMW Interests, Inc.	0.9375%	
		Elger Exploration, Inc.	0.9375%	
		·		
1	Describes to form the	B 1 2/2 B 1/2		
	Recording Information:	Book 618, Page 490		
	e Date: e Term:	October 3, 2005		
Lesso		Two (2) years		
	nal Lessee:	Dorchester Minerals Operating L.P. LCX Energy, LLC		
	ent Lessee:	LCX Energy, LLC, et al		
	ription of Land Committed:	Insofar and only insofar as said lease	COVERS	
	reposit of Early Committee.	the Lots 4 & 5 of Section 6.	004013	
		T-17-S, R-25-E, Eddy County, New N	/lexico	
No. o	f Acres:	80.00		
Roya	lty Rate:	25%		
Nam	e and Percent ORRI Owners:	None		
Mam	e and Percent WI Owner:	1075		
Name	e and Percent Wi Owner:	LCX Energy, LLC	57.3750%	
		EOG Resources, Inc.	25.0000%	
		Capstone Oil & Gas Company, LP	9.3750%	
		Parallel Petroleum Corporation CMW Interests, Inc.	6.3750%	
		Elger Exploration, Inc.	0.9375% 0.9375%	
		Liger Exploration, Inc.	0.937.376	
Leas	e Recording Information:	Book 480, Page 726, Amendment in	Book 492. Page 360	
	e Date:	November 1, 2002	accident and accident	
Leas	e Term:	Three (3) years		
Less	or:	E. L. Latham Co., a New Mexico partnership		
	nal Lessee:	M. Craig Clark		
	ent Lessee:	EOG Resources, Inc., et al		
Desc	ription of Land Committed:	insofar and only insofar as said lease	e covers	
		the Lots 4 & 5 of Section 6,		
A1-	- £ A · ·	T-17-S, R-25-E, Eddy County, New I	Mexico	
	of Acres:	80.00		
Roya	alty Rate:	18.75%		
Nom	e and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**	
INAIII	o and retorn Orra Owners:	Jerry B. Elger, et ux		
		EOG Resources, Inc.	0.7500%** 3.2500%*	
		LOG Resources, inc.	J.2000 /0	
Nam	e and Percent WI Owner:	LCX Energy, LLC	57.3750%	
		EOG Resources, Inc.	25.0000%	
		Capstone Oil & Gas Company, LP	9.3750%	
		Parallel Petroleum Corporation	6.3750%	
		CMW Interests, Inc.	0.9375%	
		Elger Exploration, Inc.	0.9375%	

Lease Recording Information: Book 485, Page 309, Amendment in Book 492, Page 376 November 1, 2002 Lease Date: Lease Term: Three (3) years Lessor Mumford & Company, a New Mexico partnership M. Craig Clark Original Lessee: Present Lessee: EOG Resources, Inc., et al Insofar and only insofar as said lease covers Description of Land Committed: the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico No. of Acres: 00.08 Royalty Rate: 18.75% Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\* Jerry B. Elger, et ux 0.7500%\*\* EOG Resources, Inc. 3.2500%\* Name and Percent WI Owner: LCX Energy, LLC 57.3750% EOG Resources, Inc. 25.0000% Capstone Oil & Gas Company, LP 9.3750% Parallel Petroleum Corporation 6.3750% CMW Interests, Inc. 0.9375% Elger Exploration, Inc. 0.9375% Lease Recording Information: Book 506, Page 1129 Lease Date: March 17, 2003 Lease Term: Three (3) years Lessor: Wells Fargo Bank New Mexico, N.A., Trustee of the CBF Company Original Lessee: EOG Resources, Inc. Present Lessee: EOG Resources, Inc., et al Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico No. of Acres: 00.08 Royalty Rate: 18.75% Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\* Jerry B. Elger, et ux 0.7500%\*\* EOG Resources, Inc. 3.2500%\* Name and Percent WI Owner: 57.3750% LCX Energy, LLC EOG Resources, Inc. 25.0000% Capstone Oil & Gas Company, LP 9.3750% Parallel Petroleum Corporation 6.3750% CMW interests, Inc. 0.9375% Elger Exploration, Inc. 0.9375% Lease Recording Information: Book 574, Page 001 Lease Date: September 23, 2004 Lease Term: Three (3) years Lessor: Richard Lyons Moore, Individually and as Co-Trustee for the Stephen Scott Moore Testamentary Trust, and Michael Harrison Moore, Individually and as Co-Trustee for the Stephen Scott Moore Testamentary Trust Original Lessee: Gary W. Stoltz Present Lessee: LCX Energy, LLC, et al Description of Land Committed: insofar and only insofar as said lease covers the Lots 1, 2 & 4 and the E/2 NW/4 of Section 31, T-16-S, R-25-E, Eddy County, New Mexico No. of Acres: 200.19 Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6. T-17-S, R-25-E, Eddy County, New Mexico No. of Acres: 80.00 Royalty Rate: 25% Name and Percent ORRI Owners: None Name and Percent WI Owner: LCX Energy, LLC 57.3750%

Capstone Oil & Gas Company, LP

Parallel Petroleum Corporation

EOG Resources, Inc.

25.0000%

9.3750%

6.3750%

_ease Recording Information: _ease Date:	Book 208, Page 458, Amendment in B February 10, 2003	ook 502, Page 46	
_ease Term:	Three (3) years		
Lessor:	Helen Gates Maxwell		
Original Lessee:	M. Craig Clark		
Present Lessee:	EOG Resources, Inc., et al		
Description of Land Committed:	Insofar and only insofar as sald lease covers		
•	the Lots 4 & 5 of Section 6,		
	T-17-S, R-25-E, Eddy County, New Mo	exico	
No. of Acres:	80.00		
Royalty Rate:	18.75%		
New years and a second			
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**	
	Jerry B. Elger, et ux	0.7500%**	
	EOG Resources, Inc.	3.2500%*	
Name and Percent WI Owner:	LCY Enamy LLC	E7 37E00/	
Name and refeeld wi Owner.	LCX Energy, LLC	57.3750%	
	EOG Resources, Inc.	25.0000%	
	Capstone Oil & Gas Company, LP	9.3750%	
	Parallel Petroleum Corporation	6.3750%	
	CMW interests, Inc.	0.9375%	
	Elger Exploration, Inc.	0.9375%	
	mgor Exploration, IIIO.	0.0010/0	
Lease Recording Information:	Book 492, Page 373		
Lease Date:	January 31, 2003		
Lease Term:	Three (3) years		
Lessor:	Virginia Gates Irish		
	Virginia Gates insh		
Original Lessee:	M. Craig Clark		
Present Lessee:	EOG Resources, Inc., et al		
Description of Land Committed:	Insofar and only insofar as said lease	covers	
•	the Lots 4 & 5 of Section 6,		
	T-17-S, R-25-E, Eddy County, New M	levice	
No. of Acres:		GAICO	
	80.00		
Royalty Rate:	18.75%		
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.75000/**	
rame and refeelt Oldri Owners.		0.7500%**	
	Jerry B. Elger, et ux	0.7500%**	
	EOG Resources, Inc.	3.2500%*	
Name and Percent WI Owner:	LCX Energy, LLC	57.3750%	
	EOG Resources, Inc.	25.0000%	
	Capstone Oil & Gas Company, LP	9.3750%	
	Parallel Petroleum Corporation	6.3750%	
	CMW Interests, Inc.	0.9375%	
	Elger Exploration, Inc.	0.9375%	
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Lease Recording Information:	0.4 1 .00 0000	Book 485, Page 281, Amendment in Book 502, Page 48	
Logge Date:	October 29, 2002		
Lease Date:	Three (3) years		
Lease Term:	Tillee (3) years	Virgine Gates, Trustee of the Wallace and Vergine Fan	
	Virgine Gates, Trustee of the Wallace	and vergine i ai	
Lease Term:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87	and vergine rai	
Lease Term:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87	and vergine rai	
Lease Term: Lessor:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark	and vergine rai	
Lease Term: Lessor: Original Lessee: Present Lessee:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al		
Lease Term: Lessor: Original Lessee:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease		
Lease Term: Lessor: Original Lessee: Present Lessee:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6,	covers	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New M	covers	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres:	Virgine Gates, Trustee of the Wallace Trust uf/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New N 80.00	covers	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New M	covers	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate:	Virgine Gates, Trustee of the Wallace Trust ut/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New N 80.00 18.75%	covers flexico	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New N 80.00 18.75% C. Mark Wheeler, et ux	covers  Nexico  0.7500%**	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New N 80.00 18.75% C. Mark Wheeler, et ux Jerry B. Elger, et ux	covers flexico	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New N 80.00 18.75% C. Mark Wheeler, et ux	covers  Nexico  0.7500%**	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate: Name and Percent ORRI Owners:	Virgine Gates, Trustee of the Wallace Trust ut/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New M80.00 18.75%  C. Mark Wheeler, et ux Jerry B. Elger, et ux EOG Resources, Inc.	0.7500%** 0.7500%** 0.7500%** 3.2500%*	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate:	Virgine Gates, Trustee of the Wallace Trust u/t/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New M 80.00 18.75% C. Mark Wheeler, et ux Jerry B. Elger, et ux EOG Resources, Inc. LCX Energy, LLC	0.7500%**	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate: Name and Percent ORRI Owners:	Virgine Gates, Trustee of the Wallace Trust ut/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New M80.00 18.75%  C. Mark Wheeler, et ux Jerry B. Elger, et ux EOG Resources, Inc.	0.7500%** 0.7500%** 0.7500%** 3.2500%*	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate: Name and Percent ORRI Owners:	Virgine Gates, Trustee of the Wallace Trust uf/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New N 80.00 18.75%  C. Mark Wheeler, et ux Jerry B. Elger, et ux EOG Resources, Inc.  LCX Energy, LLC EOG Resources, Inc.	0.7500%** 0.7500%** 0.7500%** 3.2500%* 57.3750% 25.0000%	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate: Name and Percent ORRI Owners:	Virgine Gates, Trustee of the Wallace Trust uf/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New N 80.00 18.75%  C. Mark Wheeler, et ux Jerry B. Elger, et ux EOG Resources, Inc. LCX Energy, LLC EOG Resources, Inc. Capstone Oil & Gas Company, LP	0.7500%** 0.7500%** 0.7500%** 3.2500%* 57.3750% 25.0000% 9.3750%	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate: Name and Percent ORRI Owners:	Virgine Gates, Trustee of the Wallace Trust uf/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New M80.00 18.75%  C. Mark Wheeler, et ux Jerry B. Elger, et ux EOG Resources, Inc.  LCX Energy, LLC EOG Resources, Inc. Capstone Oil & Gas Company, LP Parallel Petroleum Corporation	0.7500%** 0.7500%** 0.7500%** 3.2500%* 57.3750% 25.0000% 9.3750% 6.3750%	
Lease Term: Lessor: Original Lessee: Present Lessee: Description of Land Committed: No. of Acres: Royalty Rate: Name and Percent ORRI Owners:	Virgine Gates, Trustee of the Wallace Trust uf/a dated 4/29/87 M. Craig Clark EOG Resources, Inc., et al Insofar and only insofar as said lease the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New N 80.00 18.75%  C. Mark Wheeler, et ux Jerry B. Elger, et ux EOG Resources, Inc. LCX Energy, LLC EOG Resources, Inc. Capstone Oil & Gas Company, LP	0.7500%** 0.7500%** 0.7500%** 3.2500%* 57.3750% 25.0000% 9.3750%	

Lease Recording Information: Book 502, Page 461 Lease Date: February 3, 2003 Three (3) years John W. Gates, LLC Lease Term: Lessor: Original Lessee: M. Craig Clark Present Lessee: EOG Resources, Inc., et al Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico No. of Acres: 00.08 Royalty Rate: 18.75% Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\* Jerry B. Elger, et ux 0.7500%\*\* EOG Resources, Inc. 3.2500%\* Name and Percent WI Owner: 57.3750% LCX Energy, LLC EOG Resources, Inc. 25,0000% Capstone Oil & Gas Company, LP 9.3750% Parallel Petroleum Corporation 6.3750% CMW Interests, Inc. 0.9375% Elger Exploration, Inc. 0.9375% Lease Recording Information: Book 618, Page 498 Lease Date: September 27, 2005 Lease Term: Eighteen (18) months Lessor: Gates Properties, Ltd. Original Lessee: LCX Energy, LLC Present Lessee: LCX Energy, LLC, et al Description of Land Committed: Insofar and only insofar as said lease covers the Lots 4 & 5 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico No. of Acres: 00.08 Royalty Rate: 25% Name and Percent ORRI Owners: None Name and Percent WI Owner: LCX Energy, LLC 57.3750% EOG Resources, Inc. 25.0000% Capstone Oil & Gas Company, LP 9.3750% Parallel Petroleum Corporation 6.3750% CMW Interests, Inc. 0.9375% Elger Exploration, Inc. 0.9375% Tract No. 2 Lease Serial Number: NM NM 93181 Lease Date: June 1, 1994 Lease Term: Ten (10) years Lessor: United States of America Original Lessee: Enron Oil & Gas Co. Present Lessee: EOG Resources, Inc. Description of Land Committed: Insofar and only insofar as said lease covers Lots 6 & 7 and the SE/4 NW/4 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico No. of Acres: 119.93 Royalty Rate: 12.5% Name and Percent ORRI Owners: C. Mark Wheeler, et ux 0.7500%\*\* Jerry B. Elger, et ux 0.7500%\*\* EOG Resources, Inc. 7.1250%\* Name and Percent WI Owner: LCX Energy, LLC 57.3750% EOG Resources, Inc. 25.0000%

CMW Interests, Inc.

Elger Exploration, Inc.

Capstone Oil & Gas Company, LP

Parallel Petroleum Corporation

9.3750%

6.3750%

0.9375%

0.9375%

#### Tract No. 3

Lease Serial Number:

Lease Date: Lease Term:

Lessor: Original Lessee:

Present Lessee:

Description of Land Committed:

NM NM 100832 June 1, 1998 Ten (10) years United States of America

Perry & Perry, Inc.
Devon Energy Production Company, L . P.
Insofar and only insofar as said lease covers
Lot 3and the E/2 SW/4 of Section 6,

T-17-S, R-25-E, Eddy County, New Mexico 120.01

No. of Acres: Royalty Rate:

12.5%

Name and Percent ORRI Owners:

None

Name and Percent WI Owner:

Devon Energy Production Company, L. P. 100.000%

#### 6. **BURDENS ON PRODUCTION:**

LEASE ROYALTY:

SEE INIVIDUAL LEASES ABOVE

OVERRIDING ROYALTY:

SEE INIVIDUAL LEASES ABOVE