

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
FEBRUARY 16, 2006
LCX ENERGY, LLC
EXHIBIT NO. 3

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

October 1 , 2005 ,
year

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

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AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

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, Suite 400
Midland, Texas 79701
Telephone: 432-684-3727

Elger 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 CORPORATION	37.510158%	37.510158%
DORCHESTER MINERALS OPERATING LP	1.562793%	1.562793%
TOTAL	100.000000%	100.000000000%

* 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

Lease Recording Information:	Book 502, Page 453, Correction in Book 531, Page 427
Lease Date:	February 19, 2003
Lease Term:	Three (3) years
Lessor:	Sarah Lew Link Grimes
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:	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%

Lease Recording Information:	Book 502, Page 454, Correction in Book 531, Page 428
Lease Date:	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 Mexico
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%

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 Mexico
No. of Acres:	80.00
Royalty Rate:	15.625%

Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, 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%

Lease Recording Information:	Book 488, Page 886	
Lease Date:	November 12, 2002	
Lease Term:	Three (3) years	
Lessor:	Ralph W. Vertrees	
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:	80.00	
Royalty Rate:	15.625%	
Name and Percent ORRI Owners:	C. Mark Wheeler, et ux	0.7500%**
	Jerry B. Elger, 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%

Lease Recording Information:	Book 618, Page 490	
Lease Date:	October 3, 2005	
Lease Term:	Two (2) years	
Lessor:	Dorchester Minerals Operating L.P.	
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:	80.00	
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%

Lease Recording Information:	Book 480, Page 726, Amendment in Book 492, Page 360	
Lease Date:	November 1, 2002	
Lease Term:	Three (3) years	
Lessor:	E. L. Latham Co., a New Mexico partnership	
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:	80.00	
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 485, Page 309, Amendment in Book 492, Page 376
Lease Date:	November 1, 2002
Lease Term:	Three (3) years
Lessor:	Murnford & Company, a New Mexico partnership
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:	80.00
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:	80.00
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 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
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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 208, Page 458, Amendment in Book 502, Page 460
Lease Date:	February 10, 2003
Lease 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 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:	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 492, Page 373
Lease Date:	January 31, 2003
Lease Term:	Three (3) years
Lessor:	Virginia Gates Irish
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:	80.00
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 485, Page 281, Amendment in Book 502, Page 457
Lease Date:	October 29, 2002
Lease Term:	Three (3) years
Lessor:	Virgine Gates, Trustee of the Wallace and Vergine Family Trust u/t/a dated 4/29/87
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:	80.00
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 502, Page 461	
Lease Date:	February 3, 2003	
Lease Term:	Three (3) years	
Lessor:	John W. Gates, LLC	
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:	80.00	
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 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:	80.00	
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%
	Capstone Oil & Gas Company, LP	9.3750%
	Parallel Petroleum Corporation	6.3750%
	CMW Interests, Inc.	0.9375%
	Elger Exploration, Inc.	0.9375%

Tract No. 3

Lease Serial Number:	NM NM 100832
Lease Date:	June 1, 1998
Lease Term:	Ten (10) years
Lessor:	United States of America
Original Lessee:	Perry & Perry, Inc.
Present Lessee:	Devon Energy Production Company, L . P.
Description of Land Committed:	Insofar and only insofar as said lease covers Lot 3 and the E/2 SW/4 of Section 6, T-17-S, R-25-E, Eddy County, New Mexico
No. of Acres:	120.01
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 INDIVIDUAL LEASES ABOVE

OVERRIDING ROYALTY:

SEE INDIVIDUAL LEASES ABOVE