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February 28, 2006

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FFR 28 2006

**HAND-DELIVERED**

Ms. Florene Davidson  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87504

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Re: New Mexico Oil Conservation Case No. 13687; Application of LCX Energy,  
LLC For Compulsory Pooling, Eddy County, New Mexico

Dear Florene:

Enclosed is an original and two copies of the Application of LCX Energy, LLC in the above referenced matter. On behalf of the Applicant, we request this matter be set for hearing on the March 30, 2006 Division Examiner hearing docket. Also enclosed on disk and in hard copy is a proposed advertisement for the case.

Thank you for your assistance.

Very truly yours,

MILLER STRATVERT P.A.

*J. Scott Hall*

J. Scott Hall

/glb  
Enclosures

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STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE  
APPLICATION OF LCX ENERGY, LLC  
FOR COMPULSORY POOLING  
EDDY COUNTY, NEW MEXICO

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Oil Conservation Division  
1220 S. Francisco Drive  
Santa Fe, NM 87505  
CASE NO. 1367

**APPLICATION**

LCX ENERGY, LLC, by its undersigned attorneys, Miller, Stratvert P.A., (J. Scott Hall) hereby makes application pursuant to NMSA 1978 Section 70-2-17 (1995) for an order pooling all interests in all formations developed on a 320-acre basis, including the Wolfcamp formation, underlying the E/2 of Section 10, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre spacing and proration unit. Applicant would show the Division:

1. Applicant owns certain working interests in and under the E/2 of Section 10, and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its 1724 Osbourn No. 101 Well to be drilled from a surface location 660' from the South line and 1880' from the East line to a bottom hole location 660' from the North line and 1880' from the East line to a depth sufficient to test the Wolfcamp formation underlying the E/2 of Section 10, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico.
3. Applicant has been unable to obtain leases or voluntary agreement for pooling or farmout from certain other interest owners in the above-referenced formations underlying the E/2 of said Section 10.


4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests and approval of the unorthodox well location will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on March 30, 2006 and that after notice and hearing as required by law, the Division enter its Order approving the unorthodox well location and pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as maybe proper in the premises.

MILLER STRATVERT P.A.

By:



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J. Scott Hall  
Attorneys for LCX Energy, LLC  
Post Office Box 1986  
Santa Fe, New Mexico 87504-1986  
(505) 989-9614

### Proposed Advertisement

Case No. 13687; Application of LCX Energy, LLC for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the E/2 of Section 10, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit for any and all formations and or pools developed on 320-acres, including but not necessarily limited to the Wolfcamp formation. Said units are to be dedicated to Applicant's proposed 1724 Osbourn No. 101 Well to be drilled from a surface location 660' from the South line and 1880' from the East line to a bottom hole location 660' from the North line and 1880' from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of LCX Energy, LLC or its designee as operator of the well and a charge for risk involved in drilling said well. The proposed well location is approximately 1.5 miles west of Artesia, New Mexico.

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Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505