

# LCX ENERGY, LLC

AUTHORITY FOR EXPENDITURE

LEASE & WELL NO.: 1724 Ross # 121

COUNTY: Eddy

AFE No.: LCXD5018

Lease # 8084.001

PROSPECT:

STATE: New Mexico

Sec 12, 17S-24E, 1880' FEL & 660' FSL, SL, 1880' FEL & 660' FNL, BHL

TOTAL DEPTH: MD 9200'

WELL TYPE: Horizontal

## INTANGIBLE DRILLING COST

			IDC; ICC	DRY HOLE	COMPLETE	TOTAL
Survey, Permits & Professional Fees			6.43	2,000		2,000
Surface Damages			6.06	10,000		10,000
Road & Location Dirtwork			6.07	35,000	3,000	38,000
Drilling Footage		Ft @ \$	6.11			
Drilling Daywork	30.0	day @ \$ 12,500	6.13	375,000		375,000
Rig Mobilization			6.40	40,000		40,000
Pulling Unit	8	day @ \$ 2,200	6.60, 7.39		17,600	17,600
Swab Rig		day @ \$ 1,000	7.30			
Fuel & Lubricants			6.39	40,000		40,000
Mud, Wash Oil & Chemicals			6.12	50,000		50,000
Bits, Stabilizers & Reamers			6.08	65,000		65,000
Directional Service	MWD, motor, directional package, 11 days @ \$10000/d		6.53	110,000		110,000
Casing Crews & Equipment			6.01; 7.03	7,000	5,000	12,000
Equipment Rental			6.20; 7.12	40,000	10,000	50,000
Waterwell, Pump & Line			6.47	10,000	5,000	15,000
Water Transport			6.46; 7.17	10,000	5,000	15,000
Cement Service	Kick off plug		6.02, 7.43	51,000	35,000	86,000
Drill Stem Testing		@ \$	6.54			
Coring & Core Analysis		ft @ \$	6.05			
Geological Services			6.24			
Mud Logging	15	day @ \$ 650	6.33	9,800		9,800
Open Hole Log Service			6.34	16,000		16,000
Cased Hole Log Service			7.36		10,000	10,000
Perforating	TCP + Tractor		6.35; 7.35		70,000	70,000
Acid Stimulation			7.01			
Frac Stimulation			7.16		300,000	300,000
Pump Truck & Nitrogen Service			7.19		3,000	3,000
Transportation			6.32; 7.32	5,000	3,000	8,000
Contract Labor & Welding			6.04; 7.07	1,500	1,500	3,000
Tubular Inspection			6.45; 7.34			
Engineering & Wellsite Supervision	Days @ \$900/day		6.18; 7.10	27,000	7,200	34,200
Abandonment			6.55			
Environmental, Disposal & Restoration			6.56		10,000	10,000
Contingencies @ 5 %			6.98, 7.98	45,200	24,300	69,500
Subtotal:				949,500	509,600	1,459,100

## LEASE & WELL EQUIPMENT

Tubulars:	Size/Wt./Grade/Thd	Footage	Price			
Conductor Pipe		ft @ \$	per ft	3.03		
Surface Casing	13 3/8" 48# H40	385	ft @ \$ 32.00	per ft 3.08	12,400	12,400
Intermediate Casing	9 5/8" 36# J55	1,300	ft @ \$ 26.00	per ft 3.04	33,800	33,800
Protection Liner			ft @ \$	per ft 4.40		
Production Casing			ft @ \$	per ft 4.21		
Production Liner	5 1/2" 17# N80	9,300	ft @ \$ 15.00	per ft 4.21	139,500	139,500
Production Tubing	2 3/8" 4.6# L80	4,800	ft @ \$ 4.50	per ft 4.33	21,600	21,600
Wellhead Equipment				3.09; 4.36	4,000	4,000
Flowing Tree				3.09; 4.36	3,500	3,500
Pumping Hookup				3.09; 4.36		
Liner Hanger, Packer & Tubing Anchor				4.17; 4.20	40,000	40,000
Cementing & Float equipment				3.01; 4.41	4,000	2,000
Pumping Unit w/ Base & Prime Mover				4.22		
Electrical Installation				4.15		
Rods, Subsurface Pump & Accessories				4.24; 4.28; 4.06		
Compressor & Accessories				4.05		
SWD Equipment				4.14		
Oil Storage Tanks				4.27		
SW Fiberglass Tanks				4.35	4,800	4,800
Separator				4.26	7,500	7,500
Heater-Treater				4.13		
Dehydrator/Line Heater				4.38		
Meters, Valves & Connections				4.34	3,000	3,000
Installation				4.25	3,000	3,000
Flowline & Connections				4.34; 4.10	1,000	1,000
Gas Pipeline, Meter & Installation				4.18	10,000	10,000
Subtotal:					54,200	235,900
Grand Total:					1,003,700	745,500
						1,749,200

LCX ENERGY, LLC

Prepared By: Larry Gillette

DATE: 7-Apr-06

Approved By:

DATE:

Title:

WORKING INTEREST PARTNER

agrees to participate for % W. I.

Approved By:

NMOCD CASE NO.: 13,736

JUNE 22, 2006

LCX ENERGY, LLC

EXHIBIT NO. 2