Form 3160-3
(July 1992)

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

SUBMIT IN TRIPLICATE* (Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

1089
K-05-35

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.
NM-~~10108~~ 90947 BHL

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
FEE SHL

7. UNIT AGREEMENT NAME
34279

8. FARM OR LEASE NAME, WELL NO.
1625 FEDERAL COM. 322

9. API WELL NO.
30-015-34443

10. FIELD AND POOL, OR WILDCAT
UNDES
COTTONWOOD CREEK-WOLFCAMP

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
75250
SECTION 32 T16S-R25E

1a. TYPE OF WORK
DRILL [XX] DEEPEN [ ]

b. TYPE OF WELL
OIL WELL [ ] GAS WELL [XX] OTHER SINGLE ZONE [XX] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR
LCX ENERGY, LLC. (FRANK NIX 432-848-0221) 218885

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NOV 23 2005
OCD-ARTESIA

3. ADDRESS AND TELEPHONE NO.
101 NORTH MARIENFELD SUITE 200 MIDLAND, TEXAS 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface SL 1880' FSL & 660' FEL SECTION 32 T16S-R25E EDDY CO. NM
At proposed prod. zone 1880' FSL & 660' FWL SECTION 32 T16S-R25E

SUBJECT TO LIKE APPROVAL BY STATE

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approximately 7 miles West of Artesia New Mexico

12. COUNTY OR PARISH: EDDY CO.
13. STATE: NEW MEXICO

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
3500'	320	320
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
NA	TVD 4940' MD 8790'	ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3566' GR.

22. APPROX. DATE WORK WILL START*
WHEN APPROVED

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	Conductor 20"	NA	40'	Cement to surface W/Redi-mix
17½"	H-40 13 3/8"	48#	350'	450 Sx. circulate cement
12¼"	J-55 9 5/8"	40#	1250'	475 Sx. " "
8 3/4"	L-80 7"	26#	5000'	670 Sx. Est. Top Cement 900'FS
6 1/8"	L-80 4½"	11.6#	4390-8790'Liner	475 Sx. " " " 4390'FS

ROSWELL CONTROLLED WATER BASIN

SEE ATTACHED SHEET

LCX ENERGY, LLC. ACCEPTS THE RESPONSIBILITY FOR THE OPERATION OF THIS LEASE.

WITNESS: 13 3/8" and 9 5/8" Cement Jobs

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.
SIGNED Joe T. Janica TITLE Agent DATE 08/29/05

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /s/ Joe G. Lara TITLE ACTING FIELD MANAGER DATE NOV 21 2005

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the

LCX ENERGY, LLC.
1625 FEDERAL COM # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM

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 12¼" 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 270° West. 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.

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

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

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	75250	COTTONWOOD CREEK-WOLFCAMP (GAS)

Property Code	Property Name	Well Number
	1625 FED COM	322

OGRID No.	Operator Name	Elevation
218885	LCX ENERGY, LLC	3566

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	32	16 S	25 E		1880	SOUTH	660	EAST	EDDY

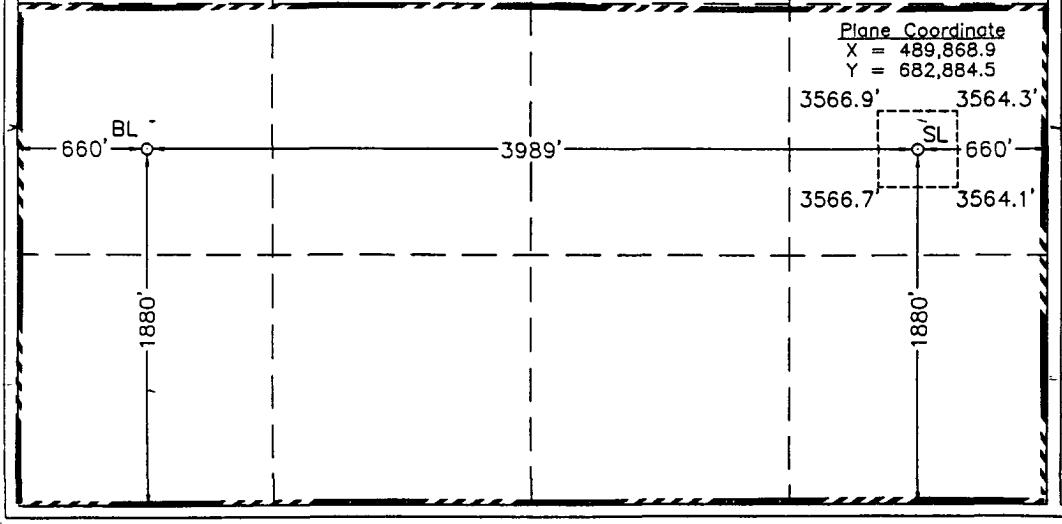
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	32	16 S	25 E		1880	SOUTH	660	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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.

Signature

Joe T. Janica
Printed Name

Agent
Title

08/29/05
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 upervison and that the same is true and orrect to the best of my belief.

August 1, 2005
Date Surveyed JSR

Signature & Seal of Professional Surveyor

W.O. Num. 2005-0679

Certificate No. MACON McDONALD 12185

EXHIBIT "A"

District I
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

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

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

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Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: LCX ENERGY, LLC. Telephone: 432-848-0221 e-mail address:
Address: 110 NORTH MARIENFELD SUITE 200 MIDLAND, TEX. 79701
Facility or well name: 1625 FEDERAL COM.322 API #: U/L or Qtr/Qtr I Sec 32 T16S R25E
County: EDDY Latitude 32°52'37.8" Longitude 104°30'03.5" NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☒ Indian ☐

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OCD-ARTESIA

Pit	Below-grade tank		
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume 18M bbl	Volume: ____bbl Type of fluid: ____ Construction material: ____ Double-walled, with leak detection? Yes ☐ If not, explain why not. ____		
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) 145'+	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more 0	(20 points) (10 points) (0 points)	0
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No 0	(20 points) (0 points)	0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more 0	(20 points) (10 points) (0 points)	0
	Ranking Score (Total Points) 0		0

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite ☐ offsite ☐ If offsite, name of facility____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface____ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described 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 ☐.
Date: 08/30/05
Printed Name/Title Joe T. Janica / Agent Signature Joe T Janica

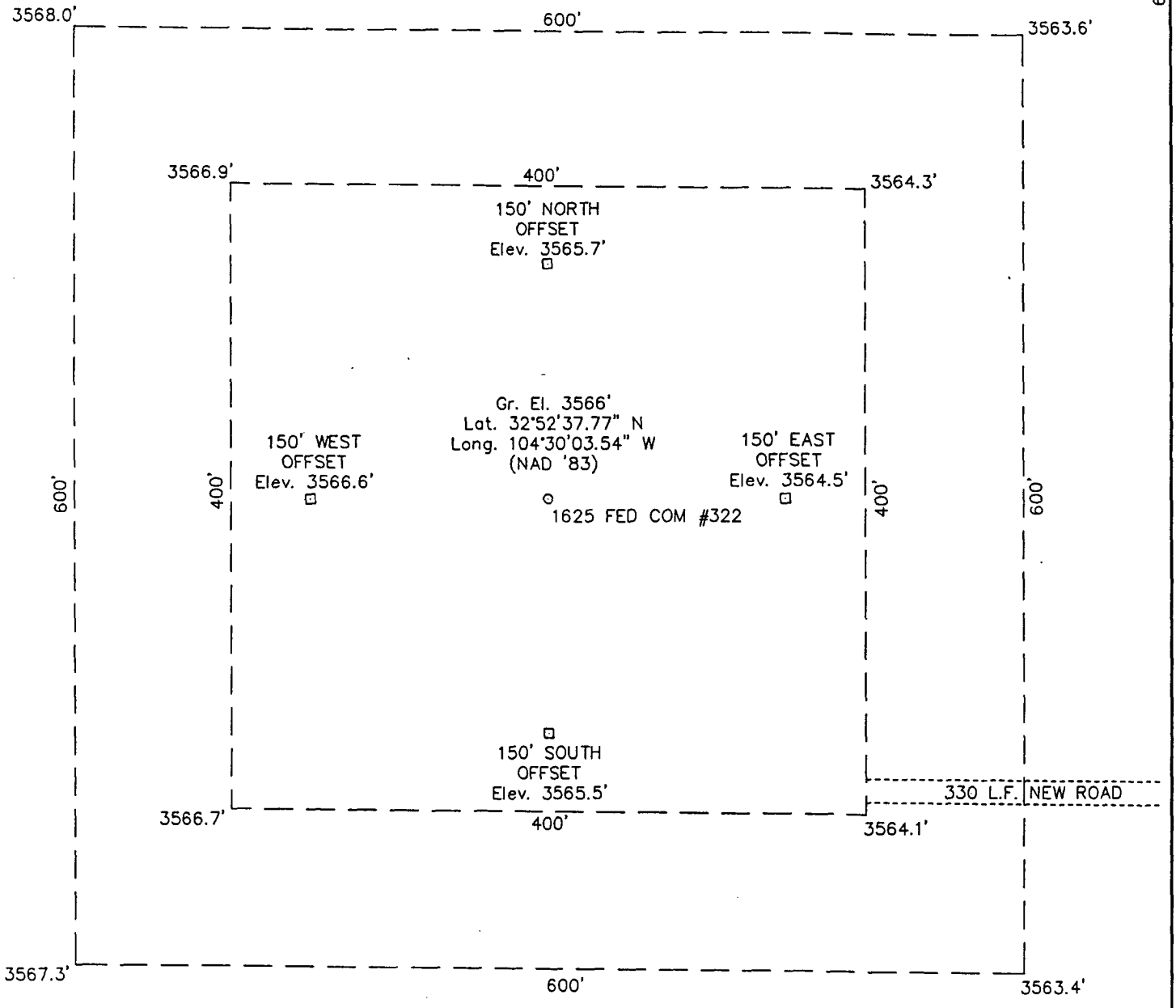
Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Date: SEP 7 2005
Printed Name/Title Field Supervisor Signature

SECTION 32, TOWNSHIP 16 SOUTH, RANGE 25 EAST, N.M.P.M.

EDDY COUNTY NEW MEXICO

L-2005-0679



DRIVING DIRECTIONS

FROM THE INTERSECTION OF US HIGHWAY 285 AND US HIGHWAY 82 IN ARTESIA, PROCEED WEST ALONG HIGHWAY 82, 5.85 MILES; THEN NORTH ALONG PERENCO LEASE ROAD (COUNTY ROAD "LONESOME TRAIL") 2.35 MILES. LOCATION WILL BE WEST 540'±.

LCX ENERGY, LLC

1625 FED COM #322

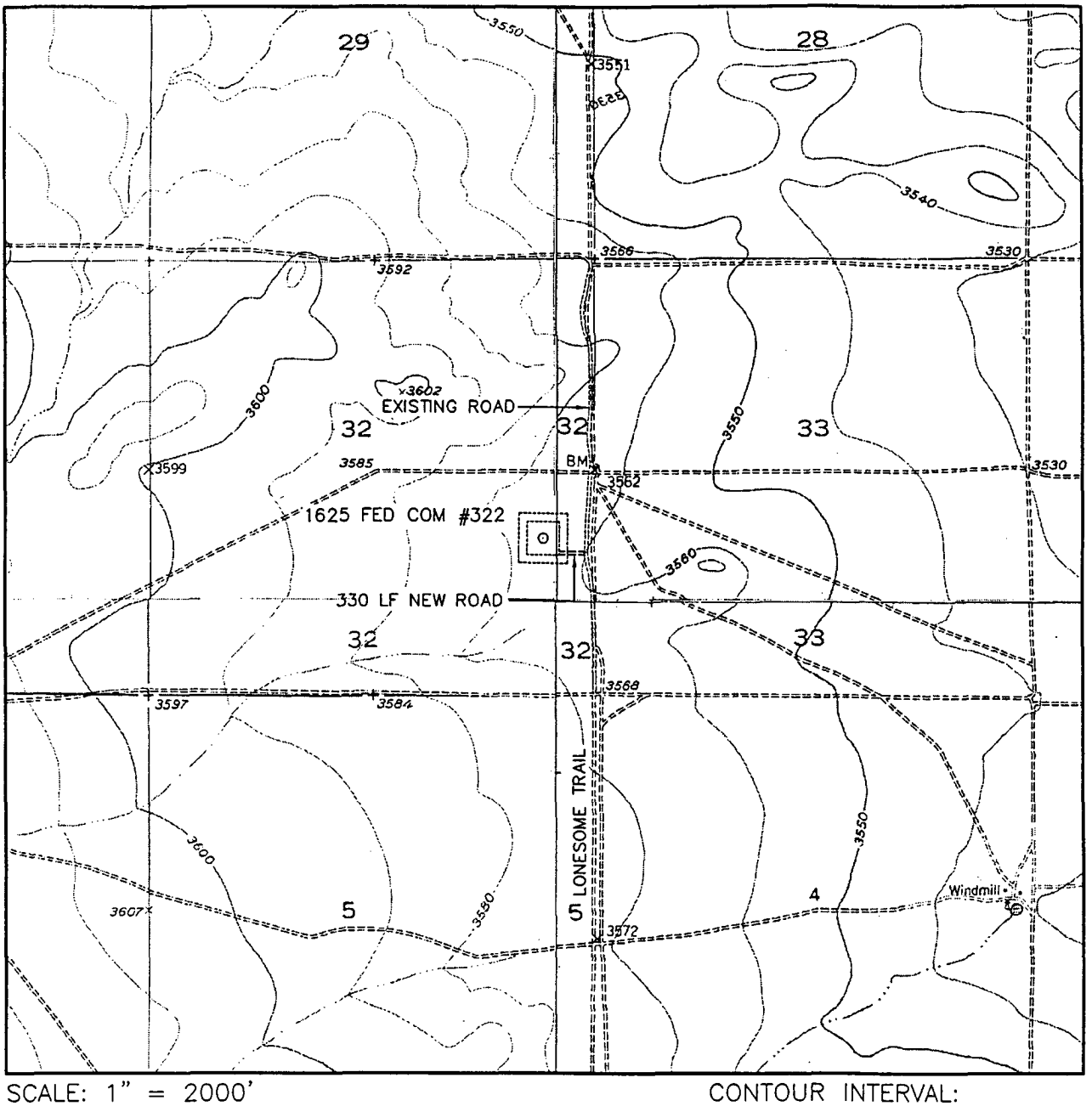
Located 1880' FSL & 660' FEL, Section 32
Township 16 S, Range 25 E, N.M.P.M.
Eddy County, New Mexico

Drawn By: JSR	Date: August 9, 2005
Scale: 1"=100'	Field Book: 303 / 49-51
Revision Date:	Quadrangle: Hope NE
W.O. No: 2005-0679	Dwg. No.: L-2005-0679

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 NE – 10'

SEC. 32 TWP. 16–S RGE. 25–E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1880' FSL & 660' FEL

ELEVATION 3566'

OPERATOR LCX ENERGY, LLC

EDDYSE 1625 FED COM #322

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

NORTH

WEST COMPANY of Midland, Inc.

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

APPLICATION TO DRILL

LCX ENERGY, LLC.
1625 FEDERAL COM # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is providedfor your consideration.

1. Location of well: Surface location 1880' FSL & 660' FEL SEC. 32 T16S-R25E
   Bottom hole location 1880' FSL & 660' FWL SEC. 32 T16S-R25E
2. Ground Elevation above Sea Level: 3566' GR.

3. Geological age of surface formation: Quaternary Deposits:

4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium to remove solids from hole.

5. Proposed drilling depth: MD 8790' TVD 4937'

6. Estimated tops of geological markers:

San Andres	577'	Abo	3872'
Glorieta	1712'	Wolfcamp	4700'
Tubb	3197'		

7. Possible mineral bearing formations:

Abo	Gas
Wolfcamp	Gas

8. Casing Program:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
26"	0-40'	20"	NA	NA	NA	Conductor
17½"	0-350'	13 3/8"	48#	8-R	ST&C	H-40
12¼"	0-1250'	9 5/8"	40#	8-R	ST&C	N-80
8 3/4"	0-5000'	7"	26#	8-R	LT&C	J-55
6 1/8"	4390-8790'	4½"	11.6	BUTT.	HDL	N-80

APPLICATION TO DRILL

LCX ENERGY, LLC.
1625 FEDERAL COM # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM

9. CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Set 350' of 13 3/8" 48# H-40 ST&C casing. Cement with 400 Sx. of Class "C" cement + additives, circulate cement.
9 5/8"	Intermediate	Set 1250' of 9 5/8" 40# N-80 ST&C casing. Cement with 700 Sx. of Class "C" cement + additives. Circulate cement to surface.
7"	2nd Intermediate	Set 5000' of 7" 26# L-80 LT&C casing. Cement with 700 Sx. of Class "C" cement + additives estimate TOC 900' FS.
4½"	Production Liner	Set a 4400' 4½" 11.6# L-80 HDL liner from TD back to 4390'. Cement with 425 Sx. of Class "C" cement + additives, cement back to liner hanger.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 Series 3000 PSI working pressure B.O.P. consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. The B.O.P. will be nippled up on the 9 5/8" casing and tested to API specifications. The B.O.P. will be operated at least once in each 24 hour period and the blind rams will be operated when the drill pipe is out of hole on trips. Full opening stabbing valve and upper kelly cock will will be utilized. Exhibit "E-1" shows a hydraulically operated closing unit and a 2" 3000 PSI choke manifold with dual adjustable chokes. No abnormal pressures or temperatures are expected in this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE SYSTEM
40-350'	8.4-8.7	29-34	NC	Fresh water Spud Mud add paper to control seepage.
350-1250'	8.4-8.7	29-38	NC	Fresh water use Gel for viscosity control and paper for seepage control.
1250-5000'	8.4-8.7	29-40	NC	Same as above using high viscosity sweeps to clean hole.
5000-8790' MD	8.4-8.8	29-36	NC	Fresh water use high viscosity Polymer sweeps to clean hole.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, & casing the viscosity and/or water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

LCX ENERGY, LLC.
1625 FEDERAL COM # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

A. Open hole logs: Dual Laterolog, SNP. LDT, MSFL, Gamma Ray, Caliper from TD back to 9 5/8" casing shoe.
B. Cased hole logs: Gamma Ray, Neutron from 9 5/8" casing shoe back to surface.
C. No cores are planned at this time
D. Mud logger may be used at the request of the Staff Geologist.
E. No DST's are planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H^2S in this area. If H^2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 2500 PSI, and Estimated BHT 110°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 28 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The WOLFCAMP formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialed as a Gas well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. H_2S Detection and Alarm Systems

   A. H_2S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.

3. Windsock and/or wind streamers

   A. Windsock at mudpit area should be high enough to be visible.
   B. Windsock at briefing area should be high enough to be visible.
   C. There should be a windsock at entrance to location.

4. Condition Flags and Signs

   A. Warning sign on access road to location.
   B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H_2S present in dangerous concentration. Only emergency personnel admitted to location.

5. Well control equipment

   A. See exhibit "E"

6. Communication

   A. While working under masks chalkboards will be used for communication.
   B. Hand signals will be used where chalk board is inappropriate.
   C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.

7. Drillstem Testing

   A. Exhausts will be watered.
   B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
   C. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.

9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H_2S scavengers if necessary.

SURFACE USE PLAN

LCX ENERGY, LLC.
1625 FEDERAL COM. # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM

1. EXISTING ROADS & PROPOSED ROADS: Area maps; Exhibit "B" is a reproduction of a County General Hi-way Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.

   A. Exhibit "A" shows the proposed well site as staked.

   B. From Artesia New Mexico take U.S. Hi-way 82 West toward Hope New Mexico go 6 miles to Lonesometrail Road, turn Right (North) go 2.4- miles, turn West go 330' to location.

   C. Exhibit "C" is a topographic map showing existing roads and proposed roads.

2. PLANNED ACCESS ROADS: Approximately 330' of new road will be constructed.

   A. The access roads will be crowned and ditched to a 12' wide travel surface with a 40' Right-of-Way.

   B, Gradient of all roads will be less than 5.00%.

   C. If turn-outs are necessary they will be constructed.

   D. If needed roads will be surfaced with a mimimum of 4" of caliche. This material will be obtained from a local source.

   E. Center-line for new roads will be flagged. Earth-work will be will be done as field conditions require.

   F. Culverts will be placed in the access road if they are necessary. The roads will be constructed to utilaze low water crossings for drainage as required by topography.

3. LOCATIONS OF EXISTING WELLS IN A ONE MILE RADIUS. EXHIBIT "A-1"

   A. Water wells - 3 approximately within 1.5 miles.

   B. Disposal wells -None known

   C. Drilling wells - None known

   D. Producing wells - As shown on Exhibit "A-1"

   E. Abandoned wells - As shown on Exhibit "A-1"

SURFACE USE PLAN

LCX ENERGY, LLC.
1625 FEDERAL COM. # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM

4. If on completion this well is a producer the operator will lay pipelines and construct powerlines along existing road R-O-W's or other existing R-O-W's. Exhibit "C" shows proposed routes of roads, flowlines and powerlines.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped to location in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction material will be obtained from the excavation of drill site, if additional material is needed it will be obtained from a local source and transported over the access roads as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE MATERIAL:

A. Drill cuttings will be disposed of in the reserve pits.

B. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.

C. Salts remaining after completion of well will be picked up by the supplier, including broken sacks.

D. Waste water from living quaters will be drained into holes with a minium of 10'. These holes will be covered during drilling and will be back filled when the well is completed. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.

E. Remaining drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry enough to be broken out for furthed drying. If the drilling fluids do not evaporate in a reasonable time they will be hauled off by transports to a state approve disposal site. Later pips will be broken out to speed drying. Water produced during completion will be put in reserve pits. Oil and condensate produced will be put in storage tanks and sold.

8. ANCILLARY FACILITIES:

A. No camps or air strips will be constructed on location.

9. WELL SITE LAYOUT:

A. Exhibit "D" shows the proposed well site layout.

B. This Exhibit shows the location of reserve pit, sump pits, and living facilities.

C. Mud pits in the active circulating system will be steel pits and the reserve pits will be unlined unless subsurface conditions encontered during pit construction indicate that a plastic liner is required to contain lateral migration.

D. If needed the reserve pits will be lined with polyethelene. The pit liner will be no less than 6 mils thick and the liner will be extended at least 3 feet over the top of the dikes and secured in place to keep edge of liner in place.

E. The reserve pit will be fenced on three sides and fenced with four strands of barbed wire during drilling and completionphases. The 4th side will be fenced after drilling operations are complete and the drilling rig has moved out.If the well is a producer the mud pits will remain fenced in until the mud has dried up enough to break out the pits and reclaimed according to BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE:

Rehabilitation of the location and reserve pits will be allowed to dry properly, fluids may be moved and disposed of in accordance with article 7-E as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any will be reshaped to the original configuration with provisions made to alleviate furture erosion. In case of the well completed as a producer the drilling pad will be necessary to construct production facilities. After the area has been shaped and contoured top soil from the spoil pile will be placed over the disturbed area to the extent possible so that revegetation procedures can be accomplished to comply with the BLM specifications.

If the well is a dry hole the pad and road area will be contoured to match the existing terrain. Top soil will be spread to the extent possible and revegetation will be carried out according to the BLM specifications.

Should the well be a producer the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

LCX ENERGY, LLC.
1625 FEDERAL COM. # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM

11. OTHER INFORMATION:

A. The project area is located on open rolling plain, relatively flat with drainage to the Northeast. Soils are tan-brown to grey, lloamy sand silty with minor amounts of caliche. Vegetation consists of various native grasses, loco weed, broom snakeweed, yucca, prickley pear, cholla, and scorpion weed.

B. Surface and minerals are owned by The U.S. Department of Interior and is administered by The Bureau of Land Management. The surface is leased to ranchers for the purpose of grazing livestock.

NAME Address Phone Private (FREE)

C. An archaeological survey will be conducted on the access roads and drilling pad, the results will be filed with The Bureau of Land Management in the Carlsbad Field Office.

D. There are no dwellings in the near vicinity of the location.

12. OPERATORS REPRESENTIVE:

Before Construction:

TIERRA EXPLORATION, INC
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
JOE T. JANICA
OFFICE PHONE 505-391-8503
CELL PHONE 505-390-1598

During and after construction:

LCX ENERGY, LLC.
110 NORTH MARIENFELD
SUITE 200
MIDLAND, TEXAS 79701
FRANK NIX 432-682-8553

13. CERTIFICATION: I hereby certify that I or persons under my direct supervision have inspected the proposed drill site and access route, that I am fimiliar with the conditions which currently exist, that the statements made in this plan are to the best of my knowledge are true, and correct, and that the work associated with the operations proposed herein will be performed by LCX ENERGY, LLC. it's contractors/subcontractors is in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME : Joe T Janica

DATE : 08/29/05

TITLE : Agent

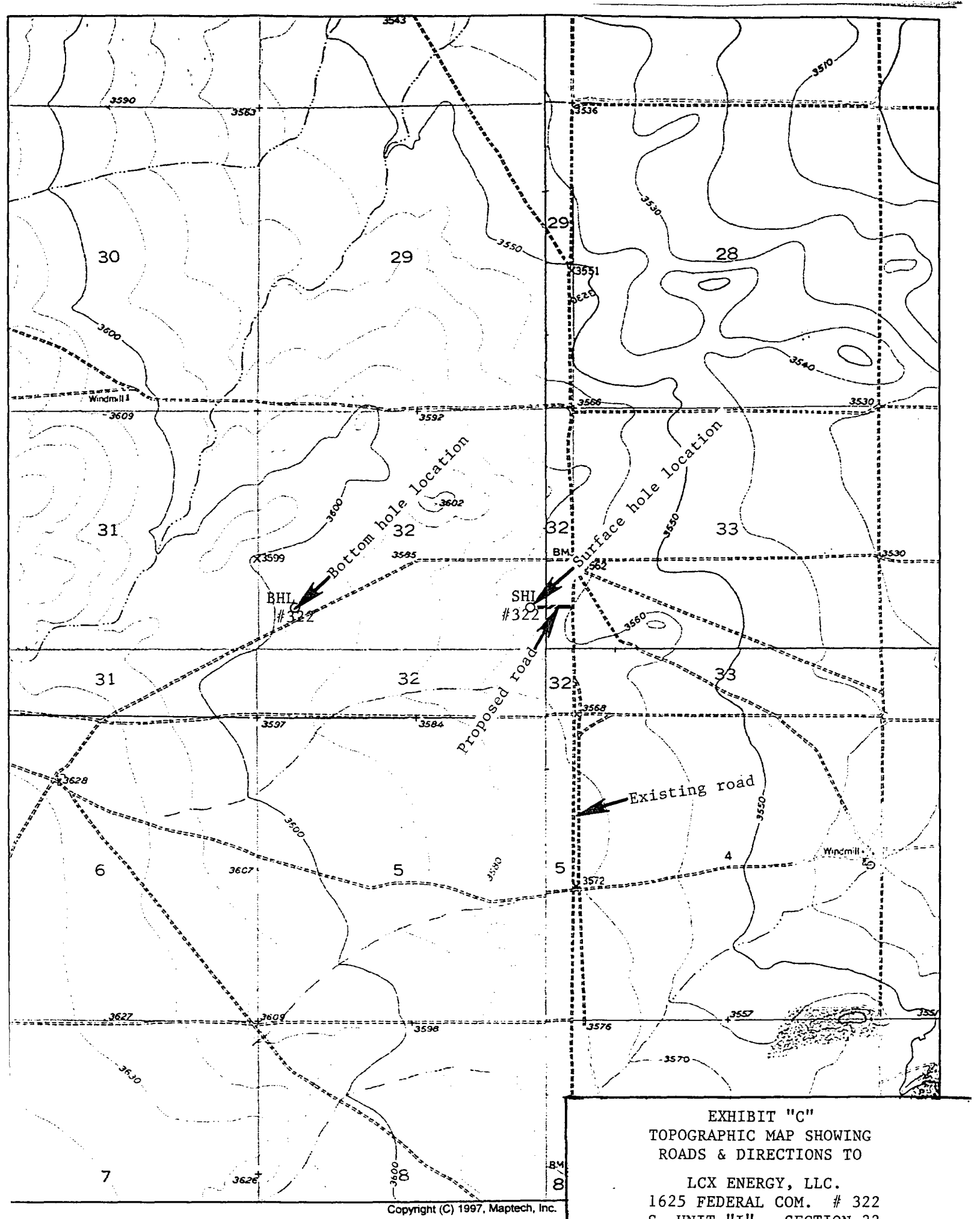
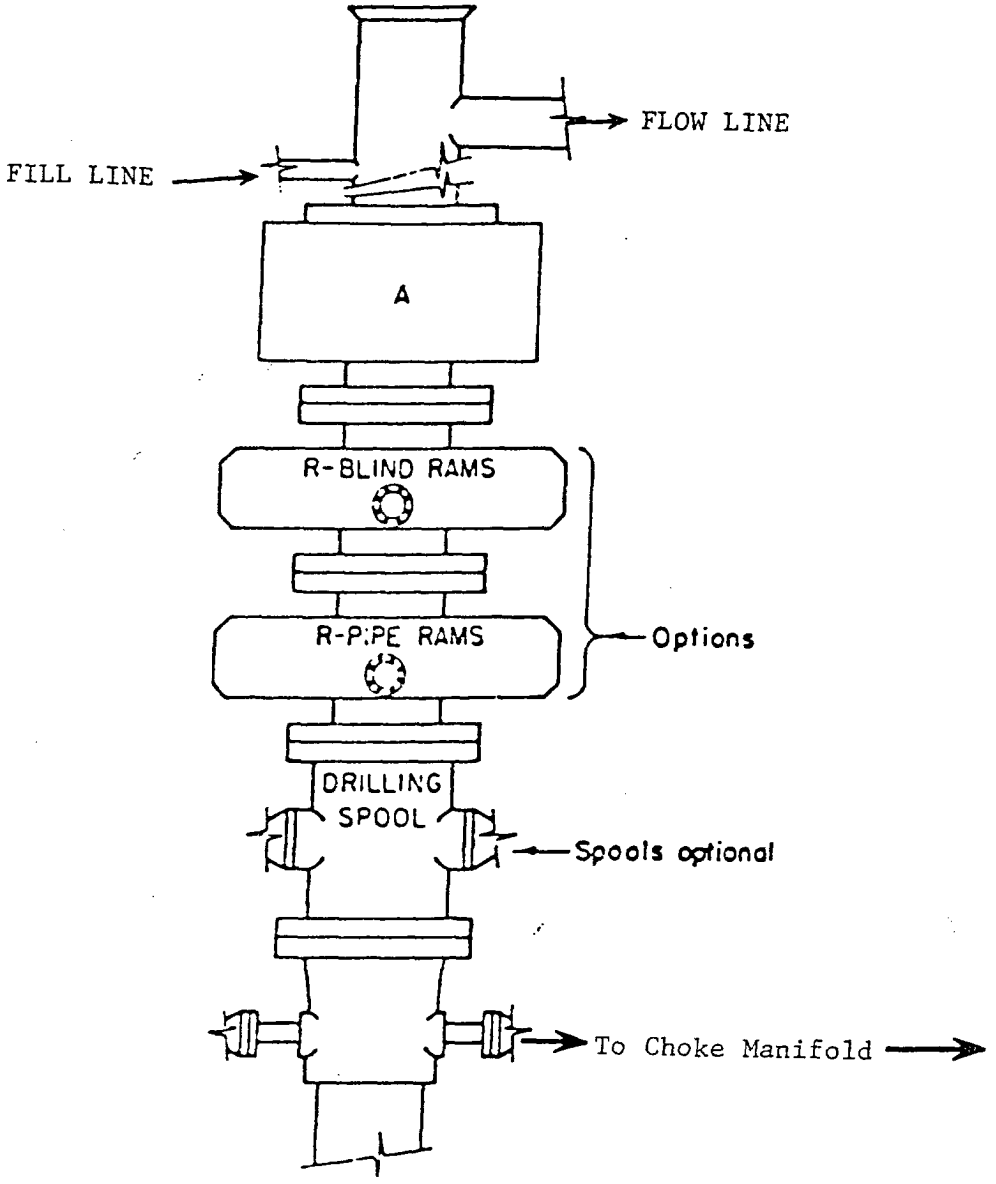


EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

LCX ENERGY, LLC.
1625 FEDERAL COM. # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32

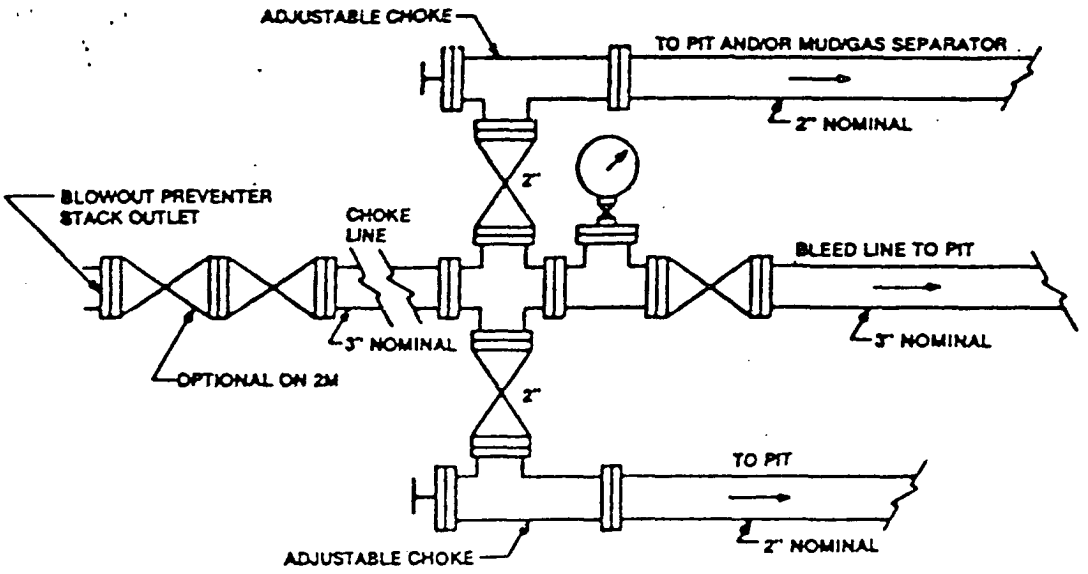


ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

LCX ENERGY, LLC.
1625 FEDERAL COM. # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM



Typical choke manifold assembly for 3M WP system

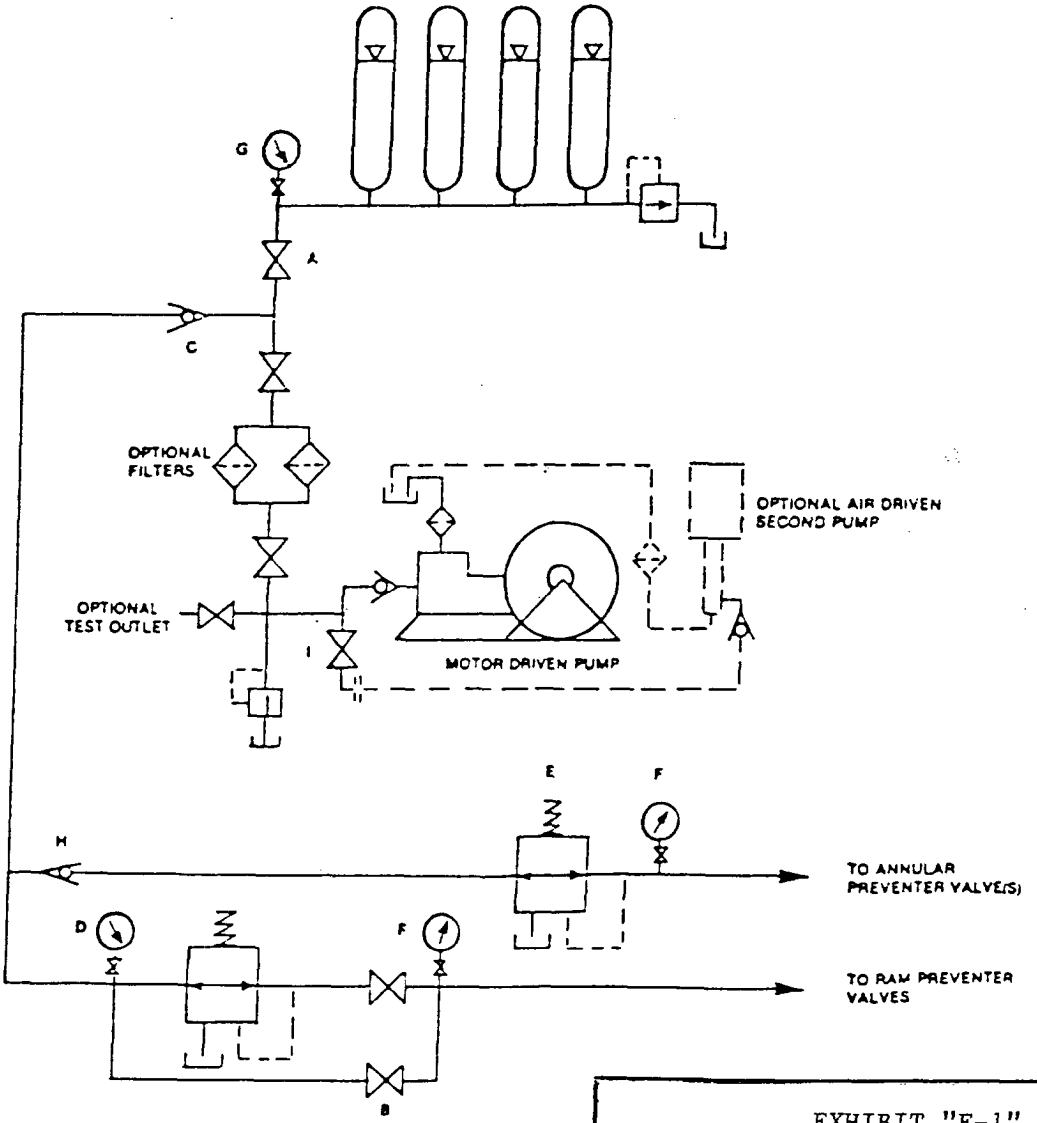


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

LCX ENERGY, LLC.
1625 FEDERAL COM. # 322
S. UNIT "I" SECTION 32
BH UNIT "L" SECTION 32
T16S-R25E EDDY CO. NM

Proposal

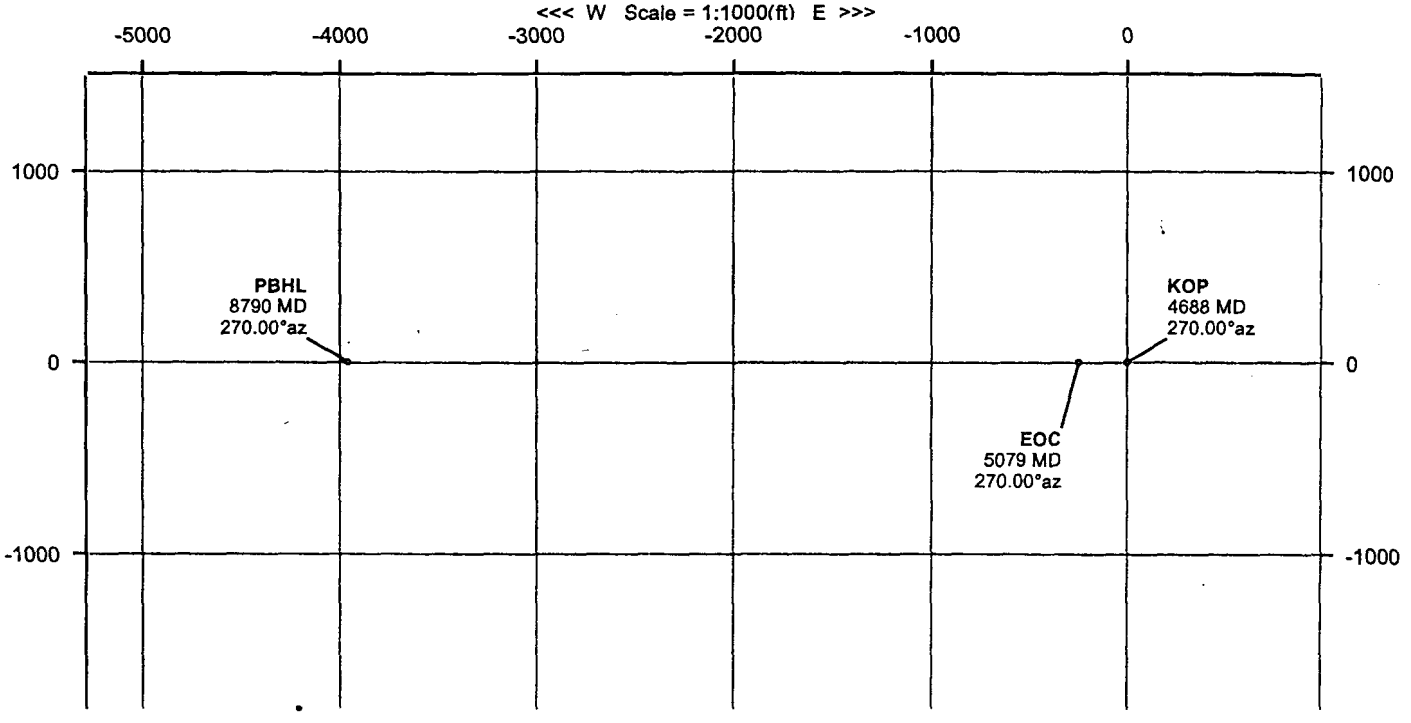
Report Date:	August 24, 2005	**Survey / DLS Computation Method:**	Minimum Curvature / Lubinski
Client:	Endeavor Energy	**Vertical Section Azimuth:**	270.000°
Field:	Eddy County, NM Nad 83	**Vertical Section Origin:**	N 0.000 ft, E 0.000 ft
Structure / Slot:	1625 Fed Com #322 / 1625 Fed Com #322	**TVD Reference Datum:**	RKB
Well:	1625 Fed Com #322	**TVD Reference Elevation:**	0.0 ft relative to
Borehole:	1625 Fed Com #322	**Sea Bed / Ground Level Elevation:**	0.000 ft relative to
UWI/API#:		**Magnetic Declination:**	8.613°
Survey Name / Date:	1625 Fed Com #322_r1 / August 24, 2005	**Total Field Strength:**	49298.256 nT
Tort / AHD / DDI / ERD ratio:	90.000° / 3960.00 ft / 5.802 / 0.802	**Magnetic Dip:**	60.423°
Grid Coordinate System:	NAD83 New Mexico State Planes, Eastern Zone, US Feet	**Declination Date:**	August 24, 2005
Location Lat/Long:	N 32 27 58.536, W 104 17 54.240	**Magnetic Declination Model:**	IGRF 2005
Location Grid N/E Y/X:	N 533358.051 ftUS, E 552111.259 ftUS	**North Reference:**	Grid North
Grid Convergence Angle:	+0.01875232°	**Total Corr Mag North -> Grid North:**	+8.594°
Grid Scale Factor:	0.99990922	**Local Coordinates Referenced To:**	Well Head

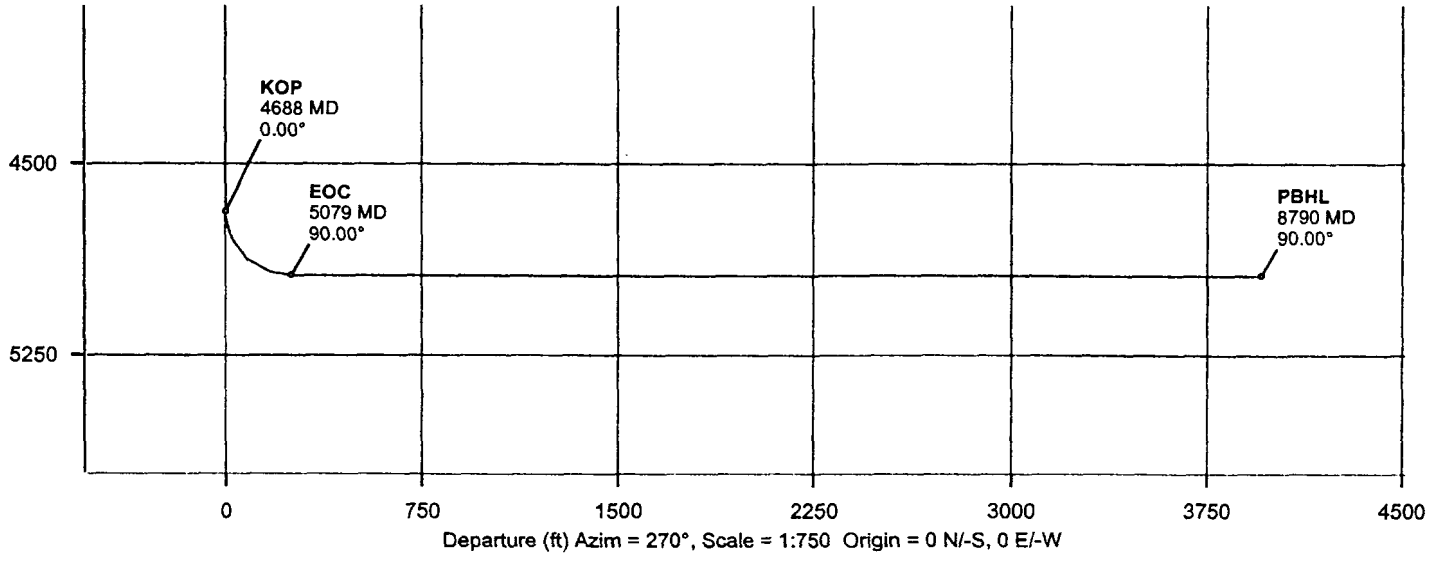
Comments	Measured Depth (ft)	Inclination (deg)	Azimuth (deg)	TVD (ft)	Vertical Section (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (deg)	DLS (deg/100 ft)	Tool Face (deg)
Tie-In	0.00	0.00	270.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-90.00M
KOP	4687.89	0.00	270.00	4687.89	0.00	0.00	0.00	0.00	0.00	0.00	-90.00M
	4700.00	2.79	270.00	4700.00	0.29	-0.00	-0.29	0.29	270.00	23.00	-90.00M
	4800.00	25.79	270.00	4796.25	24.80	-0.00	-24.80	24.80	270.00	23.00	0.00G
	4900.00	48.79	270.00	4875.28	84.98	-0.00	-84.98	84.98	270.00	23.00	0.00G
	5000.00	71.79	270.00	4924.52	171.25	-0.00	-171.25	171.25	270.00	23.00	0.00G
EOC	5079.19	90.00	270.00	4937.00	249.11	-0.00	-249.11	249.11	270.00	23.00	0.00G
PBHL	8790.08	90.00	270.00	4937.00	3960.00	-0.00	-3960.00	3960.00	270.00	0.00	0.00G

Endeavor Energy

WELL	FIELD	STRUCTURE
1625 Fed Com #322	Eddy County, NM Nad 83	1625 Fed Com #322

Magnetic Parameters				Surface Location				Miscellaneous			
Model: IGRF 2005	Dip: 60.423°	Date: August 24, 2005		Lat: N32 27 56.536	Northing: 533356.06 ftUS	NAD83 New Mexico State Planes, Eastern Zone, US Feet	Grid Conv: +0.01875232°	Slot: 1625 Fed Com #322	TVD Ref: RKB (0.00 ft above)		
	Mag Dec: +8.813°	FS: 49208.3 nT		Lon: W104 17 54.240	Easting: 562111.26 ftUS		Scale Fact: 0.9999002238	Plan: 1625 Fed Com #322_r1	Srvy Date: Wed 02:11 PM August 24, 2005		





INTREPID
Directional Drilling Specialists

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**LCX ENERGY, LLC.**
Well Name & No.	**322 – FED COM 1625**
Location:	**1880' FSL & 660' FEL – SEC 32 – T16S – R25E – EDDY COUNTY (SHL)**
	1880' FSL & 660' FWL – SEC 32 – T16S – R25E – EDDY COUNTY (BHL)
Lease:	**NM-90947**

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: **13-3/8** inch **9-5/8** inch **7** inch **4-1/2** inch liner

C. BOP tests

2 Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

II. CASING:

1. The **13-3/8** inch surface casing shall be set at **350 feet** and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing is **circulate cement to the surface.**

3. The minimum required fill of cement behind the **7** inch production casing is **cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.**

4. The minimum required fill of cement behind the **4-1/2** inch liner is **cement shall extend upward to the top of the liner hanger at 4390 feet.**

(ORIG. SGD.) LES BABYAK

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the **13-3/8** inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be **2000** psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the **9-5/8** inch casing shall be **2000** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.
- BOPE must be tested prior to drilling into the **Wolfcamp** Formation by an independent service company.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** Formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.