

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 2, 2008

Encore Operating, L.P.
Attn: Ms. Ann Burdette Wiley
777 Main St., Suite 400
Fort Worth, TX 76102

Administrative Order NSL-5837

**Re: Encore M State Well No. 1
API No. 30-025-
Unit A, Section 30-22S-37E
Lea County**

Dear Ms Wiley:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-12255145**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on May 1, 2008, and

(b) the Division's records pertinent to this request.

Encore Operating, L.P. (Encore) has requested to drill the above-referenced well at an unorthodox oil well location, 742 feet from the North line and 1294 feet from the East line (Unit A) of Section 30, Township 22 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The NE/4 NE/4 of Section 30 will be dedicated to this well in order to form a standard 40-acre wildcat oil spacing unit for all formations or pools spaced on 40 acres for oil wells. This location is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the western unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location for geologic reasons:



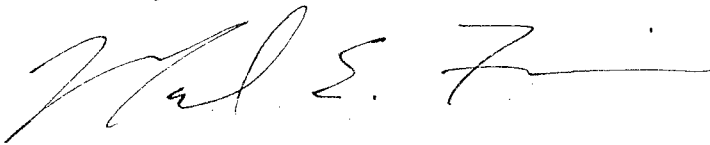
It is also understood that notice of this application to offsetting operators or owners is unnecessary because Encore owns 100% of the working interest in the offsetting unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal line extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe