

Encore Operating, L.P.

Date: 5/14/2007

AUTHORITY FOR EXPENDITURE

AFE number: 3085

Foreman Area: _____

Lease / Well: Encore 28 State Com #1 Acq ID: MISC
 Field Prospect: East Kemnitz Region: New Mexico
 Location: 800' FNL & 660' FEL County / State: Lea County, New Mexico
Sec 28, T-16-S, R-34-E
 AFE Type: Drill Original _____ Supplement _____ Addendum x API Well Type 6-Proved Location
 Operator: Encore Operating, L.P. Inside PA? _____ (Y/N)
 Objective Formation: Atoka / Morrow Auth. Total Depth (Feet): 13600'
 Project Description: Drill, complete and equip vertical Atoka / Morrow tbg/csg dual gas well.

Estimated Start Date: 6/1/2007 Prepared By: Sherry Reid Carroll
 Estimated Completion Date: _____

GROSS WELL DATA

	Drilling		Completion		
	Dry Hole	Suspended	Intangible	Tangible	Total
Days:	<u>0</u>				<u>0</u>
This AFE:	<u>\$2,656,500</u>		<u>\$1,133,000</u>	<u>\$732,000</u>	<u>\$4,521,500</u>
Prior AFE's:			<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Costs:	<u>\$2,656,500</u>		<u>\$1,133,000</u>	<u>\$732,000</u>	<u>\$4,521,500</u>

JOINT INTEREST OWNERS

Working Interest		
Percent	Dry Hole \$	Completed \$
<u>0.0000%</u>	<u>\$0</u>	<u>\$0</u>

INTERNAL RECOMMENDATION & APPROVAL

Recommended: _____ Approvals: _____
 Reservoir: _____ Date: _____ Eng / Geo Mgr: _____ Date: _____
 Geology: _____ Date: _____ Regional Manager: _____ Date: _____
 Land: _____ Date: _____ COO: _____ Date: _____
 Operations: _____ Date: _____ President/CEO: _____ Date: _____
 Drilling: _____ Date: _____

PARTNER APPROVAL

Company Name: _____
 Authorized By: _____ Date: _____
 Title: _____

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I elect to be covered under Operator's Insurance
 I **DO NOT** elect to be covered under Operator's Insurance
 (Certificate Enclosed)

DRILLING WELL COST ESTIMATE

LEASE / WELL: Encore 28 State Com #1

PREPARED BY: Sherry Reid Carroll DATE: 5/14/2007

COUNTY/STATE: Lea County, New Mexico

APPROVED BY: _____ DATE: _____

PROPOSED TOTAL DEPTH: 13600'

AFE TYPE: Drill

PROPOSED TOTAL LATERAL: NA

		AFE NOMENCLATURE		DRYHOLE COST		SUSPENDED COST	
		INTANGIBLE DRILLING COST	DAYS:				
930	02	STAKING, SURVEY & PERMITS		02	\$15,000	02	
930	04	ROAD & SITE PREPARATION		04	\$75,000	04	
930	06	LEGAL & LANDMAN		06	\$15,000	06	
930	07	RIG MOBILIZATION / DEMOBILIZATION		07	\$150,000	07	
930	08	DRILLING - TURNKEY		08		08	
930	10	DRILLING - FOOTAGE		10		10	
930	11	DRILLING - DAYWORK 5 Mob @ \$21K + 42 Drig @ \$24K		11	\$1,113,000	11	
930	12	WATER & WATER HAULING		12	\$45,000	12	
930	13	FUEL & POWER 47 days @ 1000 gals/day @ 2.75		13	\$129,500	13	
930	14	CASING TOOLS / SERVICES		14	\$40,000	14	
930	15	BITS & REAMERS		15	\$96,000	15	
930	18	CEMENT & CEMENTING SERVICES		18	\$60,000	18	
930	20	MUD & CHEMICALS		20	\$110,000	20	
930	25	DST / CORING / WIRELINE TESTS		25		25	
930	30	LOGGING - OPEN HOLE		30	\$85,000	30	
930	34	GEOLOGICAL & ENGINEERING (mud logger)		34	\$35,000	34	
930	36	DIRECTIONAL SERVICES		36		36	
930	52	ENVIRONMENTAL COSTS		52		52	
930	53	INSURANCE		53	\$15,000	53	
930	70	TRANSPORTATION		70	\$30,000	70	
930	75	CONTRACT LABOR & SERVICES		75	\$100,000	75	
930	80	TOOL & EQUIPMENT RENTAL		80	\$150,000	80	
930	88	PLUGGING		88		88	
930	90	DAMAGES		90		90	
930	91	DRILLING SUPERVISION		91	\$55,000	91	
930	95	MISCELLANEOUS SERVICES & CONTINGENCIES		95	\$125,000	95	
930	96	NON-OPERATED ADMINISTRATIVE OVERHEAD		96		96	
930	98	NON-OPERATED IDC		98		98	
935	10	DRILLING / WORKOVER OVERHEAD		10		10	

TOTAL INTANGIBLE DRILLING COST

\$2,443,500

		TANGIBLE DRILLING COST					
950	01	CONDUCTOR CASING		01	\$5,000	01	
		ft. of _____ in. _____ #/ft. _____ /ft.					
950	03	SURFACE CASING		03	\$30,000	03	
		600 ft. of 13-3/8" in. _____ #/ft. _____ /ft.					
		ft. of _____ in. _____ #/ft. _____ /ft.					
950	06	INTERMEDIATE CASING		06	\$178,000	06	
		4,500 ft. of 9-5/8" in. _____ #/ft. _____ /ft.					
		ft. of _____ in. _____ #/ft. _____ /ft.					

TOTAL TANGIBLE DRILLING COST

\$213,000

TOTAL DRILLING COST ESTIMATE

\$2,656,500

COMPLETION COST ESTIMATE

LEASE / WELL: Encore 28 State Com #1 PREPARED BY: Sherry Reid Carroll DATE: 5/14/2007
 LOCATION: 800' FNL & 660' FEL APPROVED BY: _____ DATE: _____
 COMPLETION FORMATION: Atoka / Morrow AFE TYPE: Drill

		AFE NOMENCLATURE	ESTIMATED COST
INTANGIBLE COMPLETION COSTS			
940	04	SITE PREPARATION & CLEAN UP	04 \$50,000
940	10	COMPLETION UNIT	10 \$100,000
940	11	DRILLING RIG	11
940	12	WATER & WATER HAULING	12 \$40,000
940	14	CASING TOOLS / SERVICES	14 \$35,000
940	15	BITS & REAMERS	15 \$1,500
940	18	CEMENT & CEMENTING SERVICES - PRIMARY	18 \$70,000
940	20	DIRECTIONAL SERVICES	20
940	30	LOGGING & PERFORATING	30 \$50,000
940	44	ACIDIZING & FRACTURING	44 \$450,000
940	46	PUMP TRUCK SERVICES	46 \$20,000
940	47	SAND CONTROL	47
940	48	SQUEEZE CEMENTING	48
940	52	ENVIRONMENTAL COSTS	52 \$1,500
940	53	INSURANCE	53
940	70	TRANSPORTATION	70 \$10,000
940	75	WIRELINE SERVICES	75 \$5,000
940	80	TOOL & EQUIPMENT RENTAL	80 \$75,000
940	85	CONTRACT LABOR & SERVICES	85 \$75,000
940	92	COMPLETION SUPERVISION	92 \$40,000
940	95	MISCELLANEOUS SERVICES & CONTINGENCIES	95 \$110,000
940	98	NON-OPERATED ICC	98

TOTAL INTANGIBLE COMPLETION COST

\$1,133,000

		TANGIBLE COMPLETION COST	
955	02	CASING HEAD	02 \$15,000
955	04	DIRT & DOZER WORK	04
955	05	PRODUCTION CASING	05 \$272,000
		13,600 ft. of 5-1/2" in. 17.00 #/ft. \$20.00 /ft.	
		ft. of in. #/ft. /ft.	
		ft. of in. #/ft. /ft.	
955	06	LINER	06
		ft. of in. #/ft. /ft.	
955	07	INTERMEDIATE CASING	07
		ft. of in. #/ft. /ft.	
		ft. of in. #/ft. /ft.	
955	10	WELL SERVICE UNIT	10
955	12	TUBING HEAD	12
955	14	TUBING	14 \$65,000
		13,000 ft. of 2-3/8" in. 4.70 #/ft. \$5.00 /ft.	
		ft. of in. #/ft. /ft.	
955	16	RODS	16
		ft. of in. #/ft. /ft.	
		ft. of in. #/ft. /ft.	
		ft. of in. #/ft. /ft.	
		ft. of in. #/ft. /ft.	
955	17	WELLHEAD EQUIPMENT	17 \$30,000
955	18	SUBSURFACE EQUIPMENT	18 \$25,000
955	20	PUMPING UNIT	20
955	22	ENGINE	22
955	24	MOTOR	24
955	25	PUMPS	25
955	26	ELECTRICAL EQUIPMENT	26
955	30	STORAGE TANKS	30 \$30,000
955	34	TREATING EQUIPMENT	34 \$35,000
955	36	DEHYDRATION EQUIPMENT	36
955	38	SEPARATION EQUIPMENT	38 \$30,000
955	40	COMPRESSION	40
955	50	FITTINGS, CONNECTIONS & VALVES	50 \$70,000
955	55	LINE PIPE	55 \$5,000
955	60	GAS MEASUREMENT EQUIPMENT	60 \$30,000
955	65	GAS INJECTION EQUIPMENT	65
955	70	TRUCKING	70 \$15,000
955	85	ROUSTABOUT & GENERAL LABOR	85 \$60,000
955	95	MISCELLANEOUS	95 \$50,000
955	96	PROPERTY ACQUISITION	96
955	98	NON-OPERATED EQUIPMENT COSTS	98

TOTAL TANGIBLE COMPLETION COST

\$732,000

TOTAL COMPLETION COST ESTIMATE

\$1,865,000