

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



February 28, 2008

Encore Operating L.P.
Attn: Ms. Ann Burdette Wiley
777 Main St, Suite 1400
Fort Worth, TX 76102

Administrative Order NSL-5793

Re: Encore 32 Loafer ComWell No. 1
API No. 30-015-36075
2636 feet FNL and 2362 feet FEL
Unit G, Section 32-21S-23E
Eddy County

Dear Ms. Wiley:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS08-02958532**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 29, 2008, and

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

Encore Operating, L.P. (Encore) has requested to drill the above-referenced well as a directional well from the surface location described in the caption of this letter, to an unorthodox bottom hole location in the Morrow formation, 2310 feet from the North line and 1980 feet from the West line (Unit F) of Section 32, Township 21 South, Range 23 East, in Eddy County, New Mexico. The W/2 of Section 32 will be dedicated to this well in order to form a standard 320-acre spacing unit in the undesignated Southeast Loafer Draw-Morrow Gas Pool (97181). This pool is governed by statewide Rule 104.C(2), which provides for 320-acre units, with wells located at least 660 feet from a unit or quarter-section boundary. This location is less than 660 feet from the southern boundary of the NW/4 of Section 32.

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 in order to minimize surface impacts.

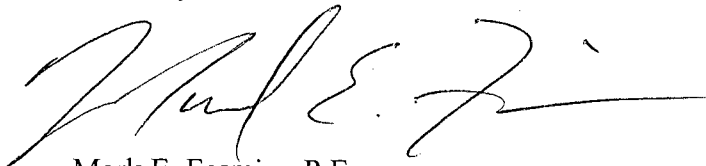
It is also understood that notice of this application to offsetting operators or owners is unnecessary because the only encroachment is internal to the unit.

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 flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

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