

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 19, 2008

Enervest Operating, L.L.C.
Attn: Ronnie L. Young
1001 Fannin St, Suite 800
Houston, TX 77002-6707

Administrative Order NSL-5855
Administrative Order SD-200818

Re: J.W. Sherrell Well No. 11
API No. 30-025-38881
Unit K, Section 31, Twsp 24S, Range 37E
Lea County

Dear Mr. Young:

Reference is made to the following:

(a) your application (**administrative non-standard location [NSL] application reference No. pKVR08-14258340**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on May 20, 2008,

(b) your application (**administrative simultaneous dedication [SD] application reference No. pKVR08-14258673**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on May 20, 2008, and

(c) the Division's records pertinent to your request, including, but not limited to, the Division's records pertinent to Administrative NSL-5044 (SD), issued on April 27, 2004.

Non-Standard Location (NSL) Application

Enervest Operating, L.L.C. (Enervest) has requested to drill the above-referenced well (the proposed well) at an unorthodox Jalmat gas well location, 1980 feet from the South line and 2130 feet from the West line (Unit K) of Section 31, Township 24 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. An existing non-standard gas spacing unit (the unit) in



the Jalmat-Tansill/Yates/Seven Rivers Gas Pool (79240), comprising the E/2 SW/4 of Section 31, Township 24 South, Range 37 East, N.M.P.M., and Lots 2 and 3 (NE/4 NW/4 and NW/4 NE/4) of Section 6, Township 25 South, Range 37 East, will be dedicated to the proposed well. This 159.90-acre non-standard gas spacing unit was previously established by Order R-6259, issued in Case No. 6771 on February 7, 1980.

Spacing in the Jalmat Gas Pool is governed by Rule 3(a)(2) of the Special Rules for the Jalmat Gas Pool, as amended by Order R-8170-P, effective December 14, 2001, which provides that a gas well shall be at least 660 feet from any unit outer boundary, 660 feet from any governmental quarter section line, and 330 feet from any quarter/quarter section line. This location is less than 660 feet from the eastern unit and quarter-section boundary.

Your NSL 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 to avoid interference with an existing pipeline that crosses the unit.

It is also understood that notice of this NSL application to offsetting owners and operators is unnecessary because you own 100% of the working interest in the offsetting unit towards which this location encroaches.

Simultaneous Dedication Application

Enervest Operating, L.L.C. (Enervest) has also requested to simultaneously dedicate the proposed well, along with the existing J.W. Sherrell Well No. 5 (API No. 30-025-11300), a gas well located 990 feet from the South line and 2172 feet from the West line (Unit N) of Section 31, Township 24 South, Range 37 East, and the existing J.W. Sherrell Well No. 10 (API No. 30-025-26704), a gas well located 660 feet from the North line and 2000 feet from the West line (Unit C) of Section 6, Township 25 South, Range 37 East, to the unit.

Division approval of simultaneous dedication is required because Rule 3(C) of the Special Pool Rules for the Jalmat Gas Pool, as provided in Order R-8170-P, adopted December 14, 2001, prohibits the dedication of more than one gas well per 160 acres in that pool.

Your application has been duly filed under the provisions of Division Rules 104.D(3) and 1210.A, and Rule 4(B) of the Special Pool Rules for the Jalmat Gas Pool.

It is our understanding that you are seeking simultaneous dedication of this unit to the two wells described for geological reasons, in order to prevent waste and maximize production from this unit. As required by Rule 4(B) of the applicable pool rules, you have furnished evidence to support your conclusion that the granting of this application will prevent waste and will not impair correlative rights.

We also understand that you have given due notice of this application to all "affected persons," as defined in Rule 1210.A(2)(a), in all existing spacing units in the Jalmat adjoining the proposed unit. The SE/4 NE/4 (Unit H) and the SW/4 NW/4 (Unit E) of Section 6-25S-37E are also adjacent to the Unit, but are not included in any existing Jalmat spacing unit. The Division has determined that notice to owners within these tracts is not necessary because, by

reason of the remoteness of these tracts from the location of the proposed wells, these owners will not be affected.

Ordering Provisions

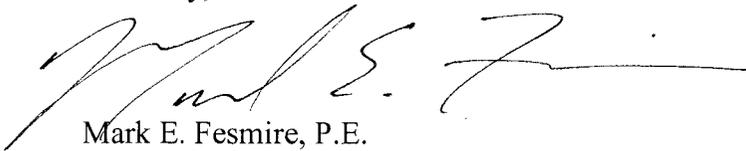
Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Pursuant to the provisions of Division Rule 104.D(3) and Rule 4(B) of the Special Pool Rules for the Jalmat Gas Pool, the above-described simultaneous dedication 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 - Hobbs
United States Bureau of Land Management - Carlsbad