

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



January 26, 2009

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

Administrative Order NSL-5837-A

Re: Encore M State Well No. 1
API No. 30-025-38303
Unit A, Section 30-22S-37E
Lea County

Dear Ms Wiley:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-00629829**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 31, 2008, and

(b) the Division's records pertinent to this request, including the Division's records pertaining to Administrative Order NSL-5837.

Encore Operating, L.P. (Encore) has drilled the above-referenced well to an unorthodox bottom-hole oil well location, 628 feet from the North line and 1030 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 has been dedicated to this well in order to form a standard 40-acre wildcat oil spacing in the Blinebry and Drinkard formations. This location is governed by statewide Rule 15.9.A, 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 15.13 and 4.12.A(2).

It is our understanding that you are seeking amendment of Administrative Order NSL-5837 due to unintended deviation from the originally approved location.



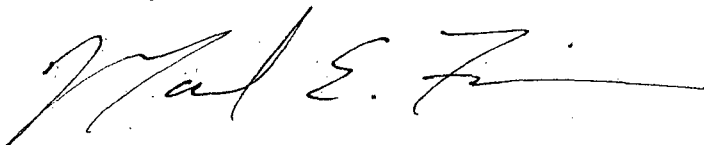
It is also understood that notice of this application to offsetting operators or owners is unnecessary because Encore owns 100% of the working interest in the offsetting unit.

Pursuant to the authority conferred by Division Rule 15.13.B, 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 5.9.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

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