

\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

TRANSMISSION OK

TX/RX NO 3061  
CONNECTION TEL 917136547722  
SUBADDRESS  
CONNECTION ID  
ST. TIME 03/14 15:05  
USAGE T 00'40  
PGS. SENT 3  
RESULT OK



**Encore**  
Acquisition  
Partners, Inc.

777 Main Street, Suite 1400  
Fort Worth, TX 76102  
817-877-9955  
817-877-1655 fax

# Fax

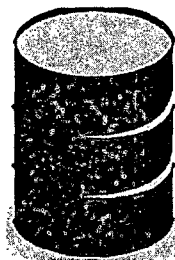
To:	Casey Quast	From:	Zack Brittain
Fax:	713-654-7722	Pages:	3
Phone:		Date:	March 14, 2008
Re:	Encore 28 State Com No. 1	CC:	

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Casey

Please see the attached letter. We've rescheduled the compulsory pooling hearing for the Encore 28 State Com No. 1 well until April 3, 2008.

I'll give you a call on Monday to see where we stand. Have a good weekend.



**Encore**  
Acquisition  
Partners, Inc.

777 Main Street, Suite 1400  
Fort Worth, TX 76102  
817-877-9955  
817-877-1655 fax

## Fax

To: Casey Quast

From: Zack Brittain

Fax: 713-654-7722

Pages: 3

Phone:

Date: March 14, 2008

Re: Encore 28 State Com No. 1

CC:

☐ Urgent    ☐ For Review    ☐ Please Comment    ☐ Please Reply    ☐ Please Recycle

Casey

Please see the attached letter. We've rescheduled the compulsory pooling hearing for the Encore 28 State Com No. 1 well until April 3, 2008.

I'll give you a call on Monday to see where we stand. Have a good weekend.

Zack



**Encore**

Operating, L.P.

*A Subsidiary of  
Encore Acquisition Company*

777 Main Street  
Suite 1400  
Fort Worth, Texas 76102  
(817) 877-9955  
fax: (817) 877-1655

**DELIVERY BY FAX AND THE U.S. POSTAL SERVICE**

March 14, 2008

Working Interest Owners  
Addressee List Attached

Re: Encore 28 State Com No. 1  
800' FNL & 660' FEL of Section 28, T16S-R34E  
Lea County, New Mexico

Gentlemen:

Encore Operating, L.P. ("Encore") pursuant to a request from one of the working interest owners under the proposed well has rescheduled the compulsory pooling hearing originally scheduled for March 20, 2008 to April 3, 2008.

This extension will allow the working interest owners more time to complete their evaluations of the well proposal, and for those parties not desiring to participate additional time to complete well trades in lieu of participation.

Please feel free to contact me at 817-339-0769 should you have any questions regarding this matter.

Sincerely,

ENCORE OPERATING, L.P.

Zack B. Brittain  
Senior Landman

## ADDRESSEE LIST

Cimarex Energy Co.  
508 W. Wall, Suite 600  
Midland, TX 79701  
Attn: Mr. Donald McClung  
Fax: 432-571-7840

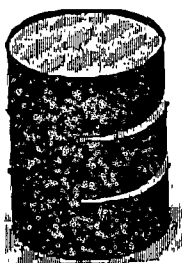
Pure Energy Group, Inc.  
153 Treeline Park, Suite 220  
San Antonio, TX 78209  
Attn: Mr. Larry Risley  
Fax: 210-930-3967

Edge Petroleum Exploration Company  
1301 Travis Street, Suite 2000  
Houston, TX 77001  
Attn: Mr. Casey Quast  
Fax: 713-654-7722

\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

TRANSMISSION OK

TX/RX NO 3068  
CONNECTION TEL 914325717840  
SUBADDRESS  
CONNECTION ID  
ST. TIME 03/17 09:38  
USAGE T 00'43  
PGS. SENT 3  
RESULT OK



**Encore**  
Acquisition  
Partners, Inc.

777 Main Street, Suite 1400  
Fort Worth, TX 76102  
817-877-9955  
817-877-1655 fax

# Fax

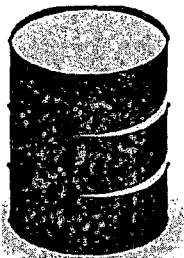
To: Don McClung From: Zack Brittain  
Fax: 432-571-7840 Pages: 3  
Phone: Date: March 14, 2008  
Re: Encore 28 State Com No. 1 CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Don

Please see the attached letter. We've rescheduled the compulsory pooling hearing for the Encore 28 State Com No. 1 well until April 3, 2008.

I'll give you a call on Monday to see where we stand. Have a good weekend.



**Encore**  
Acquisition  
Partners, Inc.

777 Main Street, Suite 1400  
Fort Worth, TX 76102  
817-877-9955  
817-877-1655 fax

## Fax

To: Don McClung

From: Zack Brittain

Fax: 432-571-7840

Pages: 3

Phone:

Date: March 14, 2008

Re: Encore 28 State Com No. 1

CC:

☐ Urgent    ☐ For Review    ☐ Please Comment    ☐ Please Reply    ☐ Please Recycle

Don

Please see the attached letter. We've rescheduled the compulsory pooling hearing for the Encore 28 State Com No. 1 well until April 3, 2008.

I'll give you a call on Monday to see where we stand. Have a good weekend.

Zack



**Encore**  
Operating, L.P.

*A Subsidiary of  
Encore Acquisition Company*

777 Main Street  
Suite 1400  
Fort Worth, Texas 76102  
(817) 877-9955  
fax: (817) 877-1655

**DELIVERY BY FAX AND THE U.S. POSTAL SERVICE**

March 14, 2008

Working Interest Owners  
Addressee List Attached

Re: Encore 28 State Com No. 1  
800' FNL & 660' FEL of Section 28, T16S-R34E  
Lea County, New Mexico

Gentlemen:

Encore Operating, L.P. ("Encore") pursuant to a request from one of the working interest owners under the proposed well has rescheduled the compulsory pooling hearing originally scheduled for March 20, 2008 to April 3, 2008.

This extension will allow the working interest owners more time to complete their evaluations of the well proposal, and for those parties not desiring to participate additional time to complete well trades in lieu of participation.

Please feel free to contact me at 817-339-0769 should you have any questions regarding this matter.

Sincerely,

ENCORE OPERATING, L.P.

Zack B. Brittain  
Senior Landman

## ADDRESSEE LIST

Cimarex Energy Co.  
508 W. Wall, Suite 600  
Midland, TX 79701  
Attn: Mr. Donald McClung  
Fax: 432-571-7840

Pure Energy Group, Inc.  
153 Treeline Park, Suite 220  
San Antonio, TX 78209  
Attn: Mr. Larry Risley  
Fax: 210-930-3967

Edge Petroleum Exploration Company  
1301 Travis Street, Suite 2000  
Houston, TX 77001  
Attn: Mr. Casey Quast  
Fax: 713-654-7722



\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

TRANSMISSION OK

TX/RX NO 3062  
CONNECTION TEL 912109303967  
SUBADDRESS  
CONNECTION ID  
ST. TIME 03/14 15:08  
USAGE T 01'32  
PGS. SENT 3  
RESULT OK



**Encore**  
Acquisition  
Partners, Inc.

777 Main Street, Suite 1400  
Fort Worth, TX 76102  
817-877-9955  
817-877-1655 fax

# Fax

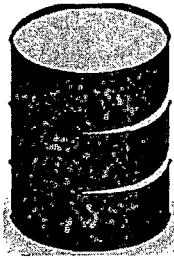
To: Larry Risley From: Zack Brittain  
Fax: 210-930-3967 Pages: 3  
Phone: Date: March 14, 2008  
Re: Encore 28 State Com No. 1 CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Larry

Please see the attached letter. We've rescheduled the compulsory pooling hearing for the Encore 28 State Com No. 1 well until April 3, 2008.

I'll give you a call on Monday to see where we stand. Have a good weekend.



**Encore**  
Acquisition  
Partners, Inc.

777 Main Street, Suite 1400  
Fort Worth, TX 76102  
817-877-9955  
817-877-1655 fax

## Fax

To: Larry Risley

From: Zack Brittain

Fax: 210-930-3967

Pages: 3

Phone:

Date: March 14, 2008

Re: Encore 28 State Com No. 1

CC:

☐ Urgent    ☐ For Review    ☐ Please Comment    ☐ Please Reply    ☐ Please Recycle

Larry

Please see the attached letter. We've rescheduled the compulsory pooling hearing for the Encore 28 State Com No. 1 well until April 3, 2008.

I'll give you a call on Monday to see where we stand. Have a good weekend.

Zack



**Encore**  
Operating, L.P.

*A Subsidiary of  
Encore Acquisition Company*

777 Main Street  
Suite 1400  
Fort Worth, Texas 76102  
(817) 877-9955  
fax: (817) 877-1655

**DELIVERY BY FAX AND THE U.S. POSTAL SERVICE**

March 14, 2008

Working Interest Owners  
Addressee List Attached

Re: Encore 28 State Com No. 1  
800' FNL & 660' FEL of Section 28, T16S-R34E  
Lea County, New Mexico

Gentlemen:

Encore Operating, L.P. ("Encore") pursuant to a request from one of the working interest owners under the proposed well has rescheduled the compulsory pooling hearing originally scheduled for March 20, 2008 to April 3, 2008.

This extension will allow the working interest owners more time to complete their evaluations of the well proposal, and for those parties not desiring to participate additional time to complete well trades in lieu of participation.

Please feel free to contact me at 817-339-0769 should you have any questions regarding this matter.

Sincerely,

ENCORE OPERATING, L.P.

Zack B. Brittain  
Senior Landman

ADDRESSEE LIST

Cimarex Energy Co.  
508 W. Wall, Suite 600  
Midland, TX 79701  
Attn: Mr. Donald McClung  
Fax: 432-571-7840

Pure Energy Group, Inc.  
153 Treeline Park, Suite 220  
San Antonio, TX 78209  
Attn: Mr. Larry Risley  
Fax: 210-930-3967

Edge Petroleum Exploration Company  
1301 Travis Street, Suite 2000  
Houston, TX 77001  
Attn: Mr. Casey Quast  
Fax: 713-654-7722

**Zack Brittain**

---

**From:** Donald McClung [dmccclung@cimarex.com]  
**Sent:** Monday, March 31, 2008 9:33 AM  
**To:** Zack Brittain  
**Subject:** RE: Farmout Agreement - Encore 28 State Com No. 1 Well

Thanks, Zack. Just let me know. don

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Monday, March 31, 2008 8:43 AM  
**To:** Donald McClung  
**Subject:** RE: Farmout Agreement - Encore 28 State Com No. 1 Well

Thanks, Don, for getting the farmout agreement to me. I'm going to talk to my manager this morning about extending the pooling hearing for two weeks to allow time to get the agreement executed by Roger. I'll get back to you shortly. Thanks, again, I really appreciate it.

Zack

-----Original Message-----

**From:** Donald McClung [mailto:dmccclung@cimarex.com]  
**Sent:** Friday, March 28, 2008 4:56 PM  
**To:** Zack Brittain  
**Cc:** Jeff Gotcher  
**Subject:** Farmout Agreement - Encore 28 State Com No. 1 Well

Zack, please find enclosed the subject Farmout Agreement which has been approved internally (reference Jeff's initials). As I mentioned to you in our conversation this morning, Roger will not be here to sign it until the week of April 7<sup>th</sup>. I apologize for getting it to you so late in the day. I'm sure we'll be visiting on this early next week. Call me at you convenience. Thank you. don

4/14/2008

**Zack Brittain**

---

**From:** Donald McClung [dmclung@cimarex.com]  
**Sent:** Monday, March 31, 2008 10:55 AM  
**To:** Zack Brittain  
**Subject:** RE: Farmout Agreement - Encore 28 State Com No. 1 Well

Thanks, Zack. I'm sure that'll work. don

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Monday, March 31, 2008 10:43 AM  
**To:** Donald McClung  
**Subject:** RE: Farmout Agreement - Encore 28 State Com No. 1 Well

Don

We're extending the hearing date until April 17<sup>th</sup>. That should give us plenty of time to close our trade. Talk to you soon.

Zack

-----Original Message-----

**From:** Donald McClung [mailto:dmclung@cimarex.com]  
**Sent:** Monday, March 31, 2008 9:33 AM  
**To:** Zack Brittain  
**Subject:** RE: Farmout Agreement - Encore 28 State Com No. 1 Well

Thanks, Zack. Just let me know. don

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Monday, March 31, 2008 8:43 AM  
**To:** Donald McClung  
**Subject:** RE: Farmout Agreement - Encore 28 State Com No. 1 Well

Thanks, Don, for getting the farmout agreement to me. I'm going to talk to my manager this morning about extending the pooling hearing for two weeks to allow time to get the agreement executed by Roger. I'll get back to you shortly. Thanks, again, I really appreciate it.

Zack

-----Original Message-----

**From:** Donald McClung [mailto:dmclung@cimarex.com]  
**Sent:** Friday, March 28, 2008 4:56 PM  
**To:** Zack Brittain  
**Cc:** Jeff Gotcher  
**Subject:** Farmout Agreement - Encore 28 State Com No. 1 Well

Zack, please find enclosed the subject Farmout Agreement which has been approved internally (reference Jeff's initials). As I mentioned to you in our conversation this morning, Roger will not be here to sign it until the week of April 7<sup>th</sup>. I apologize for getting it to you so late in the day. I'm sure we'll be visiting on this early next week. Call me at you convenience. Thank you. don

**Zack Brittain**

---

**From:** Donald McClung [dmccclung@cimarex.com]  
**Sent:** Wednesday, April 02, 2008 3:50 PM  
**To:** Zack Brittain  
**Subject:** RE: Farmout Agreement

Zack, I appreciate it. Someone brought it in to me a little while ago but I haven't had time to look at it yet. I'll see what I can do in a little while. Thanks for sending it. don

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Wednesday, April 02, 2008 2:44 PM  
**To:** Donald McClung  
**Subject:** Farmout Agreement

Don

Just wanted you to have a "heads up" that I sent you a fax while ago with our requested revisions to the farmout agreement.

Thanks

Zack

4/14/2008

**Zack Brittain**

---

**From:** Donald McClung [dmcclung@cimarex.com]  
**Sent:** Monday, April 14, 2008 11:04 AM  
**To:** Zack Brittain  
**Subject:** RE: Farmout Agreement

Zack, I'm having to make some changes and Roger is out until late in the week. Is the hearing set for this Thursday? Is there any way you can continue it one more time. I feel confident that we'll have this all signed and agreed to by then. Thanks. don

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Monday, April 14, 2008 10:20 AM  
**To:** Donald McClung  
**Subject:** RE: Farmout Agreement

Don

Hope things are going well for you this morning. Do you have an update on where we stand on our farmout agreement? Thanks, Don.

Zack

-----Original Message-----

**From:** Donald McClung [mailto:dmcclung@cimarex.com]  
**Sent:** Wednesday, April 02, 2008 3:50 PM  
**To:** Zack Brittain  
**Subject:** RE: Farmout Agreement

Zack, I appreciate it. Someone brought it in to me a little while ago but I haven't had time to look at it yet. I'll see what I can do in a little while. Thanks for sending it. don

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Wednesday, April 02, 2008 2:44 PM  
**To:** Donald McClung  
**Subject:** Farmout Agreement

Don

Just wanted you to have a "heads up" that I sent you a fax while ago with our requested revisions to the farmout agreement.

Thanks

Zack

4/14/2008



**Zack Brittain**

---

**From:** Donald McClung [dmccclung@cimarex.com]  
**Sent:** Friday, March 28, 2008 4:56 PM  
**To:** Zack Brittain  
**Cc:** Jeff Gotcher  
**Subject:** Farmout Agreement - Encore 28 State Com No. 1 Well

Zack, please find enclosed the subject Farmout Agreement which has been approved internally (reference Jeff's initials). As I mentioned to you in our conversation this morning, Roger will not be here to sign it until the week of April 7<sup>th</sup>. I apologize for getting it to you so late in the day. I'm sure we'll be visiting on this early next week. Call me at your convenience. Thank you. don

4/14/2008

**Zack Brittain**

---

**From:** Quast, Casey [cquast@edgepet.com]  
**Sent:** Monday, March 31, 2008 11:51 AM  
**To:** Zack Brittain  
**Subject:** RE: Encore 28 State com No. 1

Thanks Zack... Sorry I don't have better news, but I think we're going to stay the path of being force pooled.  
-Casey

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Monday, March 31, 2008 11:53 AM  
**To:** cquast@endgepet.com  
**Subject:** Encore 28 State com No. 1

Casey

We're extended the compulsory pooling hearing for the 28-1 until April 17<sup>th</sup>. We're agreed to terms for a farmout from Cimarex, however their attorney-in-fact is out of the office until the week of April 7<sup>th</sup> so we're waiting for him to return to sign the paperwork. I'll give you a call later in the week to see if anything has changed with Edge. Hope all is well.

Zack

4/10/2008

**Zack Brittain**

**From:** Quast, Casey [cquast@edgepet.com]  
**Sent:** Wednesday, February 13, 2008 3:28 PM  
**To:** Jeff Hewett; Zack Brittain  
**Cc:** fwalker26@msn.com  
**Subject:** RE: Encore 28 State Com No. 1

Jeff,

Unfortunately, I'm not permitted to distribute our Exploration Agreement to outside parties, but the assignments you've reviewed should convey correct title of operating rights.

If there are any other questions I can answer, please let me know.

Thanks,  
Casey

---

**From:** Jeff Hewett [mailto:jhewett@lcalawfirm.com]  
**Sent:** Wednesday, February 13, 2008 2:53 PM  
**To:** Zack Brittain; Quast, Casey  
**Cc:** fwalker26@msn.com  
**Subject:** RE: Encore 28 State Com No. 1

And that's what I've found. At this point, my understanding is that Edge holds 50% of the interests that I credited to Chisos and Pure, which are independent of those assigned back to Marathon under the Term Assignment. Casey, it would help if I could have a copy of the Exploration Agreement for my file. I will proceed to update the opinion on the basis noted above until I have heard otherwise from one of you.

Jeffrey D. Hewett

**LYNCH, CHAPPELL & ALSUP PC** | 300 N. Marienfeld, Suite 700, Midland, Texas 79701  
 MAIN 432.683.3351 | DIRECT 432.688.1312 | FAX 432.683.8346 | EMAIL [jhewett@lcalawfirm.com](mailto:jhewett@lcalawfirm.com) | WEB [www.lcalawfirm.com](http://www.lcalawfirm.com)

Confidentiality Notice: This e-mail is intended only for the individual or entity to whom it is addressed and may be a confidential communication privileged by law. Any unauthorized use, dissemination, distribution, disclosure or copying is strictly prohibited. If you have received this communication in error, please notify us immediately by return e-mail and kindly delete this message from your system. Thank you in advance for your cooperation.

Treasury Circular 230 Disclosure - To comply with requirements imposed by the Internal Revenue Service, we inform you that any tax advice contained in this written communication (including any attachment) is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on the person. If this written communication contains any tax advice that is used or referred to in connection with the promoting, marketing or recommending of any transaction(s) or matter(s), this written communication should be construed as written to support the promoting, marketing or recommending of the transaction(s) or matter(s) addressed by this written communication, and the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. No limitation has been imposed by Lynch, Chappell & Alsup PC on disclosure of the tax treatment or tax structure of the transaction(s) or matter(s).

-----Original Message-----

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Wednesday, February 13, 2008 2:48 PM  
**To:** Quast, Casey  
**Cc:** Jeff Hewett; fwalker26@msn.com  
**Subject:** RE: Encore 28 State Com No. 1

Okay, I'm straight now. Thanks. Zack

-----Original Message-----

**From:** Quast, Casey [mailto:cquast@edgepet.com]  
**Sent:** Wednesday, February 13, 2008 2:44 PM  
**To:** Zack Brittain  
**Subject:** RE: Encore 28 State Com No. 1

4/10/2008

No problem... He won't find anything in RR or SS that will clear this but he will find that the rights assigned from Chisos/Pure into Edge in UU included more than just the Marathon Term Assignment.

Thanks,  
Casey

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Wednesday, February 13, 2008 2:42 PM  
**To:** Quast, Casey  
**Subject:** RE: Encore 28 State Com No. 1

Casey

I got your phone message and tried to call you back, but didn't leave a message. I've asked Jeff Hewett to look at deeds rr and ss again as well as uu. It's pretty much got to be one of those. Thanks again, Casey, for your help and cooperation. Talk to you soon.

Zack

-----Original Message-----

**From:** Quast, Casey [mailto:cquast@edgepet.com]  
**Sent:** Wednesday, February 13, 2008 9:41 AM  
**To:** Zack Brittain  
**Subject:** RE: Encore 28 State Com No. 1

Thanks, Zack!

I will look into it and get back to you.

-Casey

In the event you need it later, my contact information is:

1301 Travis Street, Suite 2000  
Houston, Texas 77002

Ph: 713-427-8883  
Fx: 713-654-7722

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Wednesday, February 13, 2008 9:15 AM  
**To:** cquast@edgepet.com  
**Subject:** Encore 28 State Com No. 1

Casey

I did find an electronic copy of the title opinion covering Sec. 28 which is attached. This well is spotted 860' FNL & 660' FEL of Sec. 28, T16S-R34E, Lea County, New Mexico. Proposed depth will be 13,600' to test the Morrow formation. Drilling and spacing unit is the E/2 of Sec. 28. You might review the chain of assignments starting on page 12 of the opinion to see if we missed an assignment or Jeff's interpretation of an assignment was incorrect. It appears that all rights acquired by Pure, Chisos and Edge from Marathon under the term assignment were reassigned to Marathon.

Casey, thanks for your help and please give me a call at 817-339-0769 if I can supply additional information.

Zack

**Zack Brittain**

---

**From:** Donald McClung [dmclung@cimarex.com]  
**Sent:** Monday, April 14, 2008 11:04 AM  
**To:** Zack Brittain  
**Subject:** RE: Farmout Agreement

Zack, I'm having to make some changes and Roger is out until late in the week. Is the hearing set for this Thursday? Is there any way you can continue it one more time. I feel confident that we'll have this all signed and agreed to by then. Thanks. don

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Monday, April 14, 2008 10:20 AM  
**To:** Donald McClung  
**Subject:** RE: Farmout Agreement

Don

Hope things are going well for you this morning. Do you have an update on where we stand on our farmout agreement? Thanks, Don.

Zack

-----Original Message-----

**From:** Donald McClung [mailto:dmclung@cimarex.com]  
**Sent:** Wednesday, April 02, 2008 3:50 PM  
**To:** Zack Brittain  
**Subject:** RE: Farmout Agreement

Zack, I appreciate it. Someone brought it in to me a little while ago but I haven't had time to look at it yet. I'll see what I can do in a little while. Thanks for sending it. don

---

**From:** Zack Brittain [mailto:ZBrittain@Encoreacq.com]  
**Sent:** Wednesday, April 02, 2008 2:44 PM  
**To:** Donald McClung  
**Subject:** Farmout Agreement

Don

Just wanted you to have a "heads up" that I sent you a fax while ago with our requested revisions to the farmout agreement.

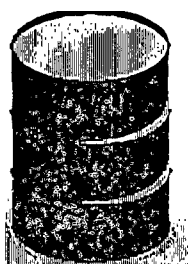
Thanks

Zack

\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

TRANSMISSION OK

TX/RX NO 3113  
CONNECTION TEL 914325717840  
SUBADDRESS  
CONNECTION ID  
ST. TIME 04/02 14:12  
USAGE T 01'46  
PGS. SENT 3  
RESULT OK



**Encore**  
Acquisition  
Partners, Inc.

777 Main Street, Suite 1400  
Fort Worth, TX 76102  
817-877-9955  
817-877-1655 fax

# Fax

To: Don McClung

From: Zack Brittain

Fax: 432-571-7840

Pages: 3

Phone:

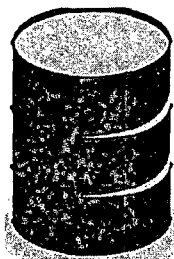
Date: April 2, 2008

Re: Farmout Agreement dated March CC:  
28, 2008

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Don

Attached are our requested revisions to the farmout agreement covering the SE/4 of Sec. 28, T16S-R34E, Lea County, New Mexico. I'm hopeful these revisions won't cause you guys too much heartburn.



## Encore

Acquisition  
Partners, Inc.

777 Main Street, Suite 1400  
Fort Worth, TX 76102  
817-877-9955  
817-877-1655 fax

# Fax

To: Don McClung

From: Zack Brittain

Fax: 432-571-7840

Pages: 3

Phone:

Date: April 2, 2008

Re: Farmout Agreement dated March CC:  
28, 2008

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Don

Attached are our requested revisions to the farmout agreement covering the SE/4 of Sec. 28, T16S-R34E, Lea County, New Mexico. I'm hopeful these revisions won't cause you guys too much heartburn.

The test well is scheduled to spud around July 18<sup>th</sup>, so I revised the date to commence the test well back thirty days, as I thought we'd be cutting it a little too close. I think everything else is fairly self explanatory, but please give me a call upon your receipt of this fax and we can go through it.

Thanks for your help.

Zack



**Encore**  
Operating, L.P.

*A Subsidiary of  
Encore Acquisition Company*

777 Main Street  
Suite 1400  
Fort Worth, Texas 76102  
(817) 877-9955  
fax: (817) 877-1655

**DELIVERY BY FAX 432-571-7840 AND THE U.S. POSTAL SERVICE**

April 2, 2008

Mr. Donald McClung  
Magnum Hunter Production, Inc.  
600 N. Marienfeld St., Suite 600  
Midland, TX 79701

Re: Farmout Agreement dated March 28, 2008  
SE/4 of Section 28, T16S-R34E  
Lea County, New Mexico

Dear Mr. McClung:

We have reviewed the referenced Farmout Agreement from Magnum Hunter Production, Inc., ("MHPI") to Encore Operating, L.P., ("Encore") covering the captioned lands. Encore respectfully requests the revisions shown below be made to the agreement:

- 1) Article 2, Test Well, first line – delete "August 1, 2008" insert "September 1, 2008".
- 2) Article 4, Assignment, Conditions and Reservations, (c) 21<sup>st</sup> line, after "day" strike to the end of the sentence and insert "of the succeeding month following the month that payout actually occurred".
- 3) Article 4, Assignment, Conditions and Reservations, (e), 2<sup>nd</sup> line, after "sole" insert "cost, risk and expense".
- 4) Article 8, Notice and Reports, 2<sup>nd</sup> line, after "formation" insert "situated within the depths covered by this agreement".
- 5) Article 11, Rental and Shut-ins, 7<sup>th</sup> line, after "thereof" insert "proportionately reduced to the lands covered by this agreement".
- 6) Exhibit B, Partial Assignment of Oil, Gas and Mineral Lease, 1<sup>st</sup> paragraph, 4<sup>th</sup> line, after "Encore Operating, L.P." insert "whose address is 777 Main St., Suite 1400, Fort Worth, TX 76102".
- 7) Exhibit B, Partial Assignment of Oil, Gas and Mineral Lease, I. Overriding Royalties, 3<sup>rd</sup> line, after "interest" insert "before payout".

If the foregoing revisions are acceptable to MPHPI please revise the agreement accordingly secure execution by MPHPI and forward the agreement Encore for acceptance and execution.

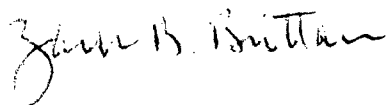


Magnum Hunter Production, Inc.  
April 2, 2008  
Page 2

I would like to thank you for your cooperation regarding this matter. Should you have any questions please contact me at 817-339-0769.

Sincerely,

ENCORE OPERATING, L.P.

A handwritten signature in cursive script, appearing to read "Zack B. Brittain".

Zack B. Brittain  
Senior Landman

## FARMOUT AGREEMENT

This Farmout Agreement ("Agreement") is made and entered into this 28th day of March, 2008, by and between **Magnum Hunter Production, Inc.**, whose address is **600 N. Marienfeld Street, Suite 600, Midland, Texas 79701**, hereinafter referred to as "Farmor", and **Encore Operating L.P.**, whose address is **777 Main Street, Suite 1400, Fort Worth, Texas 76102**, hereinafter referred to as "Operator/Farnee". Farmor owns certain oil and gas lease(s) more particularly described in Exhibit "A" attached hereto and incorporated herein for all purposes by this reference. The lands described in the attached Exhibit "A" are hereinafter referred to as the "Farmout Area", and such oil and gas lease(s), insofar and only insofar as the same may cover and include the Farmout Area, are hereinafter referred to as "the Lease", whether one or more. Operator has expressed a desire to acquire certain interests in the Lease and the Farmout Area by conducting drilling operations as hereinafter provided; and subject thereto, Farmor hereby agrees to assign unto Operator all of its right, title and interest in and to the oil and gas rights only as covered by the Lease, subject to the rights, reservations and limitations hereinafter set forth.

### 1. LEASE AND TITLE DATA

Farmor represents, but does not warrant in any way, that it is the present owner of certain oil and gas leasehold interests described in Exhibit "A" attached hereto. Farmor agrees upon written request to furnish Operator with copies of the Lease described in Exhibit "A" and will make available for examination all documents, contracts, abstracts and other title data it may have in its files. Operator agrees upon written request to furnish Farmor with copies of any title information or opinions obtained by Operator with respect to the Lease, it being understood and agreed by the parties that neither Farmor nor Operator makes any representation as to the accuracy and reliability of any such information or data so furnished and neither party hereto assumes any responsibility with respect thereto.

### 2. TEST WELL

- (a) On or before August 1, 2008 Operator agrees to commence or cause to be commenced the actual drilling of a well, hereinafter referred to as the "Test Well" at a location of the Operator's choice, heretofore designated as 860 feet from the North line and 660 feet from the East line of Section 28, T16S - R34E, Lea County, New Mexico, in the Farmout Area and agrees to cause such drilling operations to be prosecuted with due diligence and in a workmanlike manner until the Test Well shall have been drilled to an approximate depth of 13,600 feet beneath the surface of the earth or to a depth sufficient to test the Morrow Formation, whichever is the lesser depth, hereinafter referred to as the "Objective Depth". If said Test Well is completed as a commercial producer from the Morrow formation or a shallower formation still requiring a 320 acre proration unit, Operator agrees to establish an E/2 spacing unit which would include the Lease. Operator shall be responsible for one hundred percent (100%) of the costs attributable to Farmor's interest in the Lease in the Test Well (including plugging and abandonment costs if the Test Well is completed as a dry hole). For purposes hereof, a well shall not be considered to be producing in paying quantities unless it has produced for at least thirty (30) days after the completion date in quantities sufficient for the value of working interest production to exceed the cost of operating the well or unless, in Farmor's opinion, it has clearly demonstrated a capacity to so produce. However, any Assignment to Farnee will not be unreasonably withheld if such well is capable of production in paying quantities, but shut in.
- (b) If, prior to reaching the Objective Depth in the Test Well drilled hereunder, formations or conditions are encountered which would render further drilling operations by a prudent operator impracticable and which cannot be penetrated by the use of customary drilling procedures or techniques (hereinafter referred to as "impenetrable conditions"), and there are no other zones encountered that a reasonably prudent operator would complete under the same or similar circumstances, Operator shall plug and abandon the Test Well. In the event impenetrable conditions are encountered before reaching the Objective Depth, or if upon or after reaching the

Objective Depth circumstances arise wherein mechanical or other conditions render the wellbore impracticable for Operator's intended purpose, and there are no other zones encountered that a reasonably prudent operator would complete under the same or similar circumstances, Operator shall have the right to extend the terms of this Agreement if Operator commences a substitute test well at a legal location in the Farmout Area, or lands pooled therewith, within sixty (60) days from the date of the plugging and abandoning of the Test Well in which impenetrable conditions were encountered. In the event Operator drills the substitute test well provided herein, the same shall be drilled in accordance with the terms and conditions contained herein which are applicable to the Test Well drilled hereunder. Any well drilled under this Agreement that is not completed as a well capable of commercial production shall be plugged and abandoned at Operator's sole cost, risk and expense in accordance with the rules and regulations of the governmental authority having jurisdiction thereover. Any well drilled by Operator hereunder to establish initial production shall be referred to as the "Test Well".

### 3. CONTINUOUS DEVELOPMENT

- (a) On or before one-hundred eighty (180) days from the completion of the Test Well as a well capable of producing or as a dry hole, Operator, at its option, may drill further or additional wells ("Subsequent Wells") at a legal location or locations of Operator's choice on the Farmout Lands, or lands pooled therewith, provided, however, that operations for the drilling of each such Subsequent Well shall be commenced within one-hundred eighty (180) days following the date that total depth is reached in the preceding well drilled hereunder. If the continuous drilling operations are not commenced within the time hereinbefore specified, or if, at any time after commencement of continuous drilling operations, more than one-hundred eighty (180) days elapse between the completion of one well and the commencement of actual drilling of the next well, such assignment shall terminate as to the following:
  - (i) As to all the Farmout Lands except those portions included within a proration unit established under the spacing and proration rules and regulations of any governmental body having jurisdiction for a well then capable of producing oil or gas in paying quantities or on which Operator is then engaged in bona fide operations to establish or restore production of oil and gas. Such proration units shall be designated by Operator and shall be of such size and configuration as may be allowed by the spacing and well density rules and regulations of any governmental body having jurisdiction; and,
  - (ii) As to all depths one hundred feet (100') below the deepest producing formation in each retained proration/spacing unit. Such proration units shall be designated by Operator and shall be of such size and configuration as may be allowed by the spacing and well density rules and regulations of any governmental body having jurisdiction. Farmor reserves all of its right, title and interest in all depths excluded from this Farmout Agreement, together with the rights of ingress and egress and all other rights necessary to the enjoyment of Farmor's rights in said reserved depths.
- (b) For each Subsequent Well drilled hereunder, Operator shall be responsible for one hundred percent (100%) of all costs attributable to Farmor's interest in the Lease in the drilling, testing, completing, and equipping (or plugging and abandoning if the Subsequent Well is completed as a dry hole).
- (c) If, prior to reaching the proposed total depth in any Subsequent Well drilled hereunder, formations or conditions are encountered which would render further drilling operations by a prudent operator impracticable and which cannot be penetrated by the use of customary drilling procedures or techniques (hereinafter referred to as "impenetrable conditions"), and there are no other zones encountered that a reasonably prudent operator would complete under the same or similar circumstances, Operator shall plug and abandon the Subsequent Well. In the event impenetrable conditions are encountered before reaching the proposed total depth, or if upon or after reaching the proposed total depth circumstances arise wherein

mechanical or other conditions render the wellbore impracticable for Operator's intended purpose, and there are no other zones encountered that a reasonably prudent operator would complete under the same or similar circumstances, Operator shall have the right to extend the terms of this Agreement if Operator commences a substitute Subsequent Well at a legal location in the Farmout Area, or lands pooled therewith, within sixty (60) days from the date of the plugging and abandoning of the Subsequent Well in which impenetrable conditions were encountered. In the event Operator drills the substitute Subsequent Well provided herein, the same shall be drilled in accordance with the terms and conditions contained herein which are applicable to the Subsequent Well drilled hereunder. Any well drilled under this Agreement that is not completed as a well capable of commercial production shall be plugged and abandoned at Operator's sole cost, risk and expense in accordance with the rules and regulations of the governmental authority having jurisdiction thereover.

#### 4. ASSIGNMENTS, CONDITIONS, AND RESERVATIONS

- (a) When Operator has drilled any well provided for herein and has completed it as a well capable of producing in paying quantities, and provided further that Operator has fully complied with all the terms, provisions and conditions of this Agreement, Farmor, upon written request from Operator, shall execute and deliver to Operator a recordable assignment of the Lease as hereinafter set forth.
- (b) The assignment provided for in paragraph 4(a) shall convey all right, title and interest of Farmor in and to the oil and gas rights only as covered by the Lease insofar and only insofar as to the following:
  - (i) Below a depth of 12,526 feet being the stratigraphic equivalent of the top of the Atoka formation as found in the Edge Petroleum Company Kenmitz 28 State No. 1 Well located 1,980 feet from the North line and 2,130 feet from the East line of Section 28, T16S - R34E, Lea County, New Mexico down to and including one hundred feet (100') below the total depth drilled in such well.
- (c) Any assignment by Farmor to Operator herein shall except and reserve unto Farmor an overriding royalty interest in an amount equal to the positive difference, if any, between twenty-two and one-half percent (22.5%) and the royalty reserved by the Lessor. Upon payout of one hundred percent (100%) of the costs to drill, complete, equip and operate the Test Well, Farmor shall have the option, but not the obligation, to convert fifty percent (50.00%) of its overriding royalty interest to a twenty-five percent (25.00%) working interest in the Test Well on all the oil, gas, casinghead gas, condensate and other liquid or gaseous hydrocarbons produced and saved from or attributable to the Lease during the term thereof, including any extensions or renewals taken within six (6) months of termination of the Lease. Operator shall promptly notify Farmor of Payout by certified mail and Farmor shall have sixty (60) days within which to advise Operator of its election. Should Farmor elect to participate and make such conversion of its aforesaid portion of overriding royalty interest, Farmor's retained overriding royalty interest shall not be less than five percent (5.00%). Such overriding royalty interest reserved unto Farmor shall be free and clear of all costs of exploring, drilling, producing, separating, treating, marketing and taxes, including ad valorem taxes, but shall bear its proportionate share of gross production taxes. If Farmor fails to respond within said sixty (60) days, Farmor shall be deemed to have elected to retain its overriding royalty interest and not to convert to said working interest. The conversion of Farmor's reserved overriding royalty interest to a working interest shall be effective at 7:00 a.m. on the first day following that on which Payout occurs. In the event the Lease does not cover a full mineral interest or Farmor does not own a full leasehold interest therein, such overriding royalty interest reserved to Farmor hereunder shall be proportionately reduced. The form of such Assignment is attached hereto and marked Exhibit "B".
- (d) In the drilling of any well drilled pursuant to the terms hereof, Operator shall do such coring and testing as a reasonably prudent operator would, and when any such well shall have been drilled to the Objective Depth, Operator shall cause to be run therein an electrical logging device survey from the bottom of the surface casing to the well's

total depth. See Exhibit "C" attached hereto. Prior to conducting any coring or testing or the running of any electrical logging device survey, Operator shall notify Farmor sufficiently in advance that it may, if it so desires, have a representative present to witness such operation.

- (e) During the drilling of any well drilled pursuant to the terms hereof, the agents and representatives of Farmor at the sole risk of Farmor and such agents and representatives, shall have access to the derrick floor at all times to observe all operations. Operator shall furnish Farmor with full and complete information and data obtained from the drilling of any wells drilled pursuant to the terms hereof, the results of all coring and testing done and copies of all electrical logging device surveys made. See Exhibit "C" attached hereto.
- (f) Operator shall obtain and pay for all permits and licenses, if any, required for conducting operations hereunder and shall strictly comply with all applicable laws and ordinances and all applicable governmental rules, regulations and orders in connection with qualifying for and conducting operations hereunder.

## **5. FAILURE OF PERFORMANCE**

There is no obligation upon Operator to commence the Test Well pursuant to the terms of this Agreement, and the only penalty for failure to commence the Test Well, drill to the Objective Depth, and complete the Test Well as a well capable of commercial production, will be the forfeiture of all rights hereunder. In the event Operator satisfies all requirements insofar as the Test Well, the only penalty for failure by Operator to commence a Subsequent Well or to continue to commence further Subsequent Wells as provided in Paragraph 3 will be the forfeiture of Operator's continuing right to earn additional acreage under this Agreement; such failure shall not affect previously earned rights hereunder.

## **6. INDEMNITY**

- (a) Operator agrees: (i) to pay off all just claims for labor, materials and supplies furnished to Operator hereunder; (ii) to allow no lien or charge to become fixed upon any of the lease property of Farmor; and (iii) to pay all claims for damages to property in any manner arising from Operator's operations hereunder.
- (b) Operator agrees to indemnify and hold Farmor harmless from and against all third party claims, demands and causes of action, including attorney's fees, for personal injury, death or property damage arising out of or attributable to Operator's negligent act or omission.

## **7. INSURANCE**

- (a) Operator agrees to carry or will cause to be carried with an insurance company or companies authorized to do business in all areas of operation of this Agreement, such coverage to include, but not be limited to, all claims for damages, risks of loss, and contractual indemnities covered by this Agreement.
- (b) Operator shall furnish to Farmor, in duplicate, certificates signed by authorized agents or representatives of the insurance companies providing the coverage, evidencing all coverages, extensions and carried by Operator.
- (c) Failure by Farmor to request certificates of insurance or failure of Operator to provide certificates or to maintain proper coverage required by this Agreement shall not constitute a waiver of the insurance provisions or any other contractual obligations under this Agreement.
- (d) The following insurance coverages are required for all work performed under this Agreement. Operator shall procure and maintain, at all times while conducting operations under this Agreement, the following insurance coverage with limits not less than those specified below:

- (i) Workers' Compensation Insurance as required by all applicable state and federal laws;
- (ii) Comprehensive General Liability Insurance with limits of not less than \$1,000,000 Combined Single Limit Per Occurrence for Bodily Injury and Property Damage;
- (iii) Automobile Public Liability Insurance with limits of not less than \$1,000,000 Combined Single Limit Per Occurrence for both Bodily Injury and Property Damage;
- (iv) Excess Liability Insurance in excess of the Comprehensive General Liability, Automobile Liability and Workers' Compensation Employers Liability with a limit of liability of \$5,000,000 each occurrence and aggregate.

#### **8. NOTICE AND REPORTS**

In the drilling of any well drilled pursuant to the terms hereof, Operator agrees to test as a prudent operator any formation that, either before or after logging as provided herein, appears favorable for the production of oil and/or gas. Operator agrees to provide well information to Farmor, including, but not limited to, daily drilling reports, logs, cores, and production data.

#### **9. ABANDONMENT OF WELLS**

- (a) Prior to the abandonment of any well drilled hereunder on the Farmout Area, Farmor shall have the right within forty-eight (48) hours after receipt of notice of Operator's intention so to abandon, to take over the well or wells for additional testing by any method, or for deepening, with Farmor being solely responsible for all costs and expenses in connection therewith, including standby rig time, if required. If the well is taken over by Farmor for the limited purposes expressed hereinabove, and such work results in a completion attempt wherein a well capable of commercial production is encountered, all of Operator's rights in such well and unit established for such well shall automatically cease, provided that Farmor agrees to pay Operator the reasonable salvage value of any salvageable material in the hole which Operator has contributed, less the cost of salvaging same.
- (b) If the completion attempt referred to in paragraph 9(a) hereof results in a dry hole, Farmor agrees to plug and abandon the well or wells at its sole cost, risk and expense, and Operator's rights hereunder shall remain in full force and effect.

#### **10. RESTORATION OF PREMISES**

For any well drilled hereunder on the Farmout Area, Operator agrees to abide by the terms and conditions in the Lease and Operator shall restore the surface of the lands as near as practicable to its condition before the commencement of operations thereon, and in such restoration of the surface, Operator agrees to comply with any and all applicable laws, ordinances, applicable governmental rules, regulations and orders.

#### **11. RENTAL AND SHUT-INS**

- (a) Farmor shall pay all annual delay rentals or minimum royalties in excess of those paid from actual production as required by the Lease accruing on or before Farmor's assignment of interest in the Lease herein provided for, but shall not be liable to the Operator for any unintentional or inadvertent error or failure with respect to such payments, and Farmor shall notify Operator of the payment of such annual delay rentals or minimum royalties and Operator agrees to reimburse Farmor one hundred percent (100%) thereof. Annual delay rentals or minimum royalties accruing after any assignment by Farmor shall be the responsibility, both economic and ministerial, of Operator and shall be governed by the terms and provisions of the relevant Lease and assignment thereof.

- (b) In the event it appears that Operator will complete a gas well and such gas well may be shut-in prior to any assignment of the Lease by Farmor as provided herein, Operator shall give immediate notice of its intentions to shut-in such gas well and shall furnish sufficient title information to Farmor to enable Farmor to make timely payment of shut-in gas royalty attributable to such shut-in gas well.

## 12. RELATIONSHIP OF PARTIES

- (a) It is not the purpose or intention of this Agreement to create, nor shall the same be construed as creating any mining partnership, commercial partnership or other partnership relation nor shall the operations of the parties hereunder be construed to be considered as a joint venture. The liability of the parties hereto shall be several and not joint or collective.
- (b) Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. If applicable, Farmor is hereby authorized to execute and file on behalf of both parties hereto such elections with the appropriate governmental agencies.

## 13. OTHER CONDITIONS

- (a) The parties hereto agree to execute such additional instruments, agreements or documents as may be necessary to effectuate the intentions of this Agreement.
- (b) The section headings contained herein are inserted for convenience only and shall not control or affect the meaning or construction of any provision hereof.
- (c) The Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Texas, and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
- (d) This Agreement constitutes the entire agreement between the parties and supersedes any and all other written or oral agreements or understandings between the parties concerning subject matter hereof. No modification or amendment of the terms and provisions of this Agreement shall be effective unless in writing and signed by the party against whom enforcement is sought.
- (e) Should either Farmor or Farmee, either at the time of or subsequently to the execution of this Agreement, create an overriding royalty, production payment, net proceeds interest or other burden, such subsequently created interest shall be specifically made subject to all of the terms and provisions of this Agreement and shall be borne solely by the party who created said burden.
- (f) This Farmout Agreement and any Assignment to which Farmee may become entitled under the terms hereof shall not be assigned or farmed out in whole or in part without Farmor's prior written consent, said consent not to be unreasonably withheld. In the event that such consent is obtained, such Assignment executed pursuant thereto shall state specifically that the assignee is bound by all of the terms and provisions of this Farmout Agreement, that the assignee has agreed to be subject to a limitation requiring Farmor's prior written consent to any further assignment, and further, that any such Assignment shall not be recognized by or be binding upon Farmor unless and until both (i) the assignee shall have made written acceptance of such Assignment and (ii) a certified copy of such Assignment shall have been furnished to Farmor. The granting of any such consent by Farmor shall not have the effect of waiving this limitation on any future or additional Assignments or subletting of the Farmout Acreage.

Executed in duplicate as of the day and year first above written.

**FARMOR: MAGNUM HUNTER PRODUCTION, INC.:**

By: \_\_\_\_\_ *RA*  
Roger Alexander  
Title: Attorney-In-Fact

**OPERATOR: ENCORE OPERATING L.P.:**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF TEXAS                }  
                                     }  
COUNTY OF MIDLAND        }

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by Roger Alexander, Attorney-In-Fact of MAGNUM HUNTER PRODUCTION, INC., a Delaware corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for the State of Texas

STATE OF TEXAS                }  
                                     }  
COUNTY OF \_\_\_\_\_        }

The foregoing instrument was acknowledged before me on this \_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_, \_\_\_\_\_ of ENCORE OPERATING L.P.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for the State of Texas



EXHIBIT "A"  
to that certain Farmout Agreement dated  
March 28, 2008, by and between  
Magnum Hunter Production, Inc., as Farmor and Encore Operating L.P.

1. FARMOUT LANDS:

The SE/4 of Section 28, T16S – R34E, Lea County, New Mexico, BUT  
LIMITED TO ONLY THOSE DEPTHS AND FORMATIONS LYING BELOW 12,526  
feet being the stratigraphic equivalent of the Top of the Atoka formation as seen in the  
Edge Petroleum Company Kenmitz 28 State No. 1 Well located 1,980 feet from the  
North line and 2,130 feet from the East line of Section 28, T16S – R34E, Lea County,  
New Mexico down to and including 100 feet below the total depth drilled in the Test  
Well

2. OIL AND GAS LEASE(S) COMPRISING THE FARMOUT LANDS:

Lease No.	E-1769-5
Lessor:	State of New Mexico
Lessee:	Shell Oil Company
Lease Date:	March 10, 1948
Lands:	SE/4 of Section 28, T16S – R34E, Lea County, New Mexico

to that certain Farmout Agreement dated  
March 28, 2008, by and between

## PARTIAL ASSIGNMENT OF OIL, GAS AND MINERAL LEASE

STATE OF NEW MEXICO    §  
                                  §       KNOW ALL MEN BY THESE PRESENTS THAT:  
COUNTY OF LEA         §

**WHEREAS**, Assignee has earned the right to an assignment pursuant to the terms and conditions of the Farmout.

## I. OVERRIDING ROYALTIES

Assignor's overriding royalty interest is to be free and clear of all costs of exploration, drilling and production, but shall bear its share of severance and production taxes.

If the Assigned Premises cover less than the entire fee or mineral estate, then the interests reserved to Assignor under the terms of this Partial Assignment of Oil, Gas and Mineral Lease, including Assignor's overriding royalty(ies), shall be reduced proportionately.

In the event re-assignment is made from Assignee to Assignor, said conveyance shall be free and clear of any overriding royalty burdens other than those existing on the date hereof.

Assignor covenants and agrees to execute and deliver such further instruments as may be required by Assignee to perfect record title to the interests herein assigned and conveyed.

This Partial Assignment of Oil, Gas and Mineral Lease may be executed either as one instrument or in several partially executed counterparts and the original and all counterparts shall be construed together and shall constitute one instrument.

**TO HAVE AND TO HOLD** the same unto the Assignee, its successors and assigns, according to the terms, covenants, and conditions of the Lease, Assignee to perform all such terms, covenants, and conditions thereof as to the Lease, as well as all of the terms, covenants, and conditions hereof.

The reservations, terms, covenants, and conditions hereof shall be binding upon and shall inure to the benefit of Assignor and Assignee, their respective successors and assigns, and shall attach to and run with the Assigned Premises and with each transfer or assignment thereof.

This Assignment of Oil, Gas and Mineral Lease is made specifically subject to (i) that certain unrecorded Farmout Agreement dated March 28, 2008, by and between Assignor and Assignee; and, (ii) the terms and conditions of the Lease. In the event there is a conflict between the terms and conditions of this Partial Assignment of Oil, Gas and Mineral Lease and the terms and conditions of the Farmout Agreement mentioned above, the terms and conditions of the Farmout Agreement shall prevail and control.

**IN WITNESS WHEREOF**, this instrument is signed and executed on the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

**ASSIGNOR:**  
**Magnum Hunter Production, Inc.**

By: \_\_\_\_\_  
Name: Roger Alexander  
Its: Attorney-In-Fact

**ASSIGNEE:**  
**Encore Operating L.P.**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF TEXAS           §  
                                  §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2008, by Roger Alexander, as Attorney-In-Fact of Magnum Hunter Production, Inc., a Delaware corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for the State of Texas

My commission expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_,  
2008, by \_\_\_\_\_, \_\_\_\_\_ of  
Encore Operating L.P.

\_\_\_\_\_  
Notary Public in and for the State of Texas

My commission expires:

\_\_\_\_\_

EXHIBIT "C"  
to that certain Farmout Agreement dated  
March 28, 2008, by and between  
Magnum Hunter Production, Inc., as Farmor and Encore Operating L.P., as Farmee

1. **NOTIFICATION:** Farmee will furnish a daily (by telephone, fax or email) progress report on any well drilled pursuant to this Farmout Agreement. Farmee shall notify Farmor sufficiently in advance of any of the following events so that a representative of Farmee may be present:
  - A. Spudding.
  - B. Any coring operations.
  - C. All drill stem or other tests.
  - D. The running of any electric log(s) or other survey.
  - E. Any plugging operation.

NOTICE by telephone for any of the above events shall be given to Farmor's representatives at the following numbers:

All notices, reports and other communications required or made necessary by the terms of the contract to which this exhibit is attached, and the other exhibits thereto, except the information provided for in the immediately preceding paragraph, shall be deemed to have been given if sent by regular mail (fax or email) to the following address:

2. **REPORTS:** Farmee agrees to furnish Farmor the following data and information, if available, regardless of whether the TEST WELL is completed as a producer or as a dry hole:
  - A. Three final prints of mud log.
  - B. Three copies of core analysis, if any.
  - C. Three copies of all drill stem test reports, if any.
  - D. Three copies (each) of open hole or cased hole logs.
  - E. One copy of all Title Opinion(s) and associated curative.
3. At any time in the future, Farmor, at its own expense, shall have the right to obtain additional copies of the data and information provided for in paragraphs 1 through 2 above.