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PLEASE REPLY TO SANTA FE

March 4, 2002

Mr. David Catanach
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case No. 12808 and No. 12663; Application of David H. Arrington Oil and Gas, Inc. for Unorthodox Well Location and Simultaneous Dedication, Lea County, New Mexico (Mayfly "14" State Well No. 7)

Dear Mr. Catanach:

You will recall that Permian Resources, Inc. appeared in Case No. 12663 opposing David H. Arrington Oil and Gas, Inc.'s application for an unorthodox location and simultaneous dedication for its Mayfly "14" State Well No. 7. Permian's opposition was based on seismic and the available subsurface geologic data obtained from the NW/4 of Section 13 supporting its contention that the Arrington well would drain Strawn formation reserves owned by Permian in Section 13 offsetting the proposed unorthodox location. On September 11, 2001, following the hearing in the case, the Division entered Order No. R-11646 denying Arrington's Application.

Since the issuance of Order No. R-11646, Permian drilled its Hillburn No. 3 well to two separate bottom-hole locations in the NW/NW of Section 13. Data from that well confirms that the Strawn interval that is being produced by Arrington's Mayfly "14" State Com No. 2 well in the NE/4 of Section 14 is not present in either of the Hillburn No. 3 well bottom-hole locations. Consequently, it does not appear that the unorthodox location sought by Arrington for its Mayfly "14" State No. 7 well would adversely affect Permian's correlative rights in the adjoining section. Permian therefore supports Arrington's Application in Case No. 12808 and hopes to see Arrington complete a successful well.

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Although it opposed Arrington's Application in Case No. 12663, Permian believes that by denying the Application, the Division acted properly to protect the correlative rights of the offsetting interest owners, based on the best geologic and engineering data available at the time. We appreciate the Division's decisive action in this vigorously contested matter.

Thank you for your consideration of these comments.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Scott Hall", written in a cursive style.

J. Scott Hall

cc: Lori Wrotenbery ✓
Mike Stewart
Bob Marshall
Mike Feldewert