

# DAVID H. ARRINGTON OIL & GAS, INC.

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P.O. BOX 2071 , MIDLAND, TEXAS 79702  
OFF (915) 682-6685  
FAX (915) 682-4139

April 27, 2001

Via Certified Mail - Return Receipt Requested 7099 3220 0005 1183 7177  
Via Facsimile (915) 685-3621

Permian Resources, Inc.  
Attn: Mr. Randy Stevens  
P.O. Box 590  
Midland, Texas 79702-0590

**Permian Resources**  
**Ex. No.   A**  
**NMOCD Case No. 12663**  
**June 14, 2001**

Re: Hilburn #2  
Section 13, T16S-R35E  
Lea County, New Mexico  
Proposal to deepen and drill horizontally

Dear Mr. Stevens,

In response to your letter dated March 29, 2001, and received in our offices April 3, 2001, accept this letter as David H. Arrington Oil & Gas, Inc.'s response to your proposal on the above-captioned well.

It is our position that Permian Resources has proposed a re-entry and deepening of a well that is already producing oil and gas in paying quantities in the Wolfcamp formation. As evidence, we would point to the fact that we have received joint interest billings and revenue each month since acquiring our interest in the lease.

As you referenced in your letter, this well is covered by a Joint Operating Agreement dated September 15, 1972 (JOA). We believe your proposal to re-enter this well is not allowed as per the JOA because it is producing in paying quantities. (Please refer to Article 12 on page 5 of said Operating Agreement.) You will see that your re-entry and deepening proposal is clearly not allowed without the consent of all parties. It is our position that your proposal is therefore not allowed under this Article in the Joint Operating Agreement. We do not concur with abandoning this zone.

Should it be your position that this well is not producing in paying quantities, please let us know immediately, and advise as to the information upon which you base that position.

Further, it is our understanding that the Hilburn #1 Strawn producer is in the Shoobar North Strawn Field which calls for 160 acre proration units, and the NW/4 is the spacing unit for the

Hilburn #1 well. It is our understanding that another new drill Strawn well would not be allowed in this NW/4 without changing these field rules.

In the event and only in the event that your proposal is ultimately deemed to be a valid proposal and ultimately allowed under the JOA, in order to preserve our rights, this letter shall serve or as our election to participate in same.

Finally, it is our firm position that this well continue to be produced as in the past, and if production has failed, that Permian Resources reestablish production immediately.

Your very truly,

A handwritten signature in black ink, appearing to read 'D. Arrington', written in a cursive style.

David H. Arrington