

File: Case 13144

PERMIAN RESOURCES, INC.

RECEIVED

August 14, 2003

Mr. Mike Stogner

Mr. Pat Tower
EOG Resources, Inc.
P. O. Box 2267
Midland, Texas 79702

AUG 18 2003

**OIL CONSERVATION
DIVISION**

Re: **Unorthodox Well Location**
Hilburn No. 3 BHL No. 3
T-16-S, R-35-E, NMPM
Section 13: NW/4
Lea County, New Mexico

Dear Pat:

Reference is made to my letter of July 11, 2003 in which I requested EOG Resources, Inc. to waive any rights of protest to our prior proposed unorthodox bottom hole location at 1,100' FNL and 400' FWL, Section 13, T16S, R35E, for the referenced well.

After discussions with your company and discussions with representatives at the OCD of the State of New Mexico (NMOCD), it appears the best course of action on this particular issue is to apply for new field rules for the North Shoe Bar Strawn Pool. Currently, the North Shoe Bar Strawn pool commands proration units of 160 acres with an orthodox (standard) location being within a 150' radius of the governmental one-quarter section center point. These rules were established in 1973 and it is our opinion that these rules are obsolete in contrast with the other Strawn pool field rules in the immediate area and the development of these Strawn reservoirs which have been delineated by "modern" geophysical and exploitation technologies.

In particular, the South Big Dog and Northeast Shoe Bar Strawn pools are both regulated for 80 acre proration units with 330' well spacing from the outer boundary of the proration unit. These two (2) pools adjoin the North Shoe Bar Strawn pool to the north and northeast. In further disparity, the Northwest Shoe Bar Strawn pool, adjoining the North Shoe Bar Strawn pool to the immediate west, is regulated for 40 acre spacing units with 330' well spacing from the outer boundary.

With that in mind and rig availability, we are proceeding to re-enter and directionally drill our Hilburn No. 3 BHL No. 3 well to an unorthodox (non-standard) bottom hole location at 990' FNL and 330' FWL, Section 13, T16S, R35E. We understand, as advised by Mike Stogner with the NMOCD, that we can drill the well but cannot produce it until we have a formal successful hearing to change the field rules.

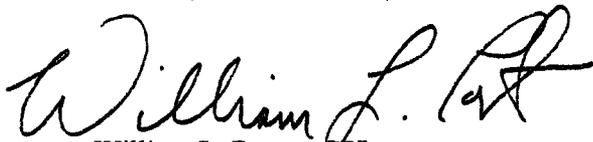
The obvious advantage to EOG and the various mineral owners within the boundaries of the North Shoe Bar Strawn pool in regards to changing the field rules is that it would allow you to produce your well(s) without a production penalty and it would allow for additional development of the Strawn Algal mound reservoirs which by virtue of current technology (3-D seismic) appear to be limited in areal extent but provide substantial recoveries. Further, as evidenced by the above referenced adjoining Strawn pool

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Page 2 – August 14, 2003
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Hilburn No. 3 BHL No. 3
Lea County, New Mexico

rules, 80 acre proration units with 330' well spacing has been previously approved by the NMOCD to protect correlative rights while allowing the development of these Strawn reservoirs.

Sincerely,

A handwritten signature in cursive script that reads "William L. Porter". The signature is written in dark ink and is positioned above the printed name and title.

William L. Porter, CPL
Land Manager

Cc Mr. Scott Hall
Miller Stratvert Law Offices
P. O. Box 1986
Santa Fe, New Mexico 87504-1986

Mr. Mike Stogner
Oil and Gas Conservation Division
State of New Mexico
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505