

MILLER, STRATVERT & TORGERSON, P.A.
LAW OFFICES

RANNE B. MILLER
ALAN C. TORGERSON
ALICE T. LORENZ
GREGORY W. CHASE
LYMAN G. SANDY
STEPHEN M. WILLIAMS
STEPHAN M. VIDMAR
SETH V. BINGHAM
TIMOTHY R. BRIGGS
RUDOLPH LUCERO
DEBORAH A. SOLOVE
GARY L. GORDON
LAWRENCE R. WHITE
SHARON P. GROSS
VIRGINIA ANDERMAN
MARTE D. LIGHTSTONE
J. SCOTT HALL*
THOMAS R. MACK
TERRI S. BEACH
THOMAS M. DOMME
RUTH O. PREGENZER
JEFFREY E. JONES

ROBIN A. GOBLE
JAMES R. WOOD
DANA M. KYLE
KIRK R. ALLEN
RUTH FUESS
KYLE M. FINCH
H. BROOK LASKEY
KATHERINE W. HALL
PAULA G. MAYNES
MICHAEL C. ROSS
CARLA PRANDO
KATHERINE N. BLACKETT
JENNIFER L. STONE
ANDREW M. SANCHEZ
M. DYLAN O'REILLY
AMINA QUARGNALI-LINSLEY
JENNIFER D. HALL
JENNIFER L. OLSON
TODD A. SCHWARZ
JULIE A. COLEMAN
TIMOTHY L. BUTLER

COUNSEL

ROSS B. PERKAL
JAMES J. WIDLAND
BRADLEY D. TEPPER**
GARY RISLEY
NELL GRAHAM SALE***

***licensed Delaware, Pennsylvania only

OF COUNSEL

WILLIAM K. STRATVERT
JAMES B. COLLINS

ALBUQUERQUE, NM

500 MARQUETTE N.W., SUITE 1100
P.O. BOX 25687 (87125-0687)
ALBUQUERQUE, NM 87102
TELEPHONE: (505) 842-1950
(800) 424-7585
FACSIMILE: (505) 243-4408

SANTA FE, NM

150 WASHINGTON AVE., SUITE
300
P.O. BOX 1986 (87504-1986)
SANTA FE, NM 87501
TELEPHONE: (505) 989-9614
FACSIMILE: (505) 989-9857

FARMINGTON, NM

300 WEST ARRINGTON, SUITE 300
P.O. BOX 869 (87499-0869)
FARMINGTON, NM 87401
TELEPHONE: (505) 326-4521
FACSIMILE: (505) 325-5474

LAS CRUCES, NM

1125 SOUTH MAIN ST., SUITE B
P.O. BOX 1209 (88004-1209)
LAS CRUCES, NM 88005
TELEPHONE: (505) 523-2481
FACSIMILE: (505) 526-2215

PLEASE REPLY TO SANTA FE

* NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN NATURAL RESOURCES - OIL & GAS LAW
** NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN REAL ESTATE LAW

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.

Mr. David Catanach
March 4, 2002
Page 2

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 that reads "J. Scott Hall". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke.

J. Scott Hall

cc: Lori Wrotenbery ✓
Mike Stewart
Bob Marshall
Mike Feldewert