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June 18, 2002

**HAND-DELIVERED**

Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
1220 South St. Francis  
Santa Fe, New Mexico 87505

Re: NMOCD Case No. 12890; Application of Permian Resources, Inc. for Compulsory  
Pooling and Unorthodox Well Location, Lea County, New Mexico

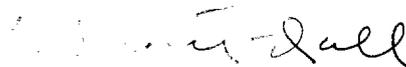
Dear Ms. Wrotenbery:

Enclosed are an original and two copies of the Application of Permian Resources, Inc. in the above referenced matter. On behalf of the Applicant, we request this matter be set for hearing on the July 11, 2002 Division Examiner hearing docket.

Also enclosed on disk and in hard copy is a proposed advertisement for the case.

Very truly yours,

MILLER, STRATVERT & TORGERSON, P.A.



J. Scott Hall

JSH/glb  
Enclosures

RECEIVED  
JUN 19 2002  
NMOCD

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF PERMIAN  
RESOURCES, INC. FOR COMPULSORY POOLING  
AND UNORTHODOX WELL LOCATION,  
LEA COUNTY, NEW MEXICO

CASE NO. 12890

**APPLICATION**

PERMIAN RESOURCES, INC., by its undersigned attorneys, Miller, Stratvert & Torgerson, P.A., (J. Scott Hall) hereby makes application pursuant to NMSA 1978 Section 70-2-17 (1995) for an order pooling all interests in the Strawn formation, (Northeast Shoe Bar-Strawn Oil Pool), underlying the W/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, to form a standard 80-acre spacing and proration unit. Applicant further seeks exception to the well locational requirements of Division Rule 104.C.(3) for the drilling of its proposed Chambers No. 2 well at an unorthodox well location. In support thereof, Applicant would show the Division:

1. Applicant owns certain working interests in and under the W/2 SE/4 of Section 7, and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Chambers No. 2 well to be drilled from a surface location 990 feet from the South line and 1,100 feet from the East line to a bottom hole location 1,500 feet from the East line and 1,350 feet from the South line in the NW/4 SE/4 (Unit J) of said Section 7 to a depth sufficient to test the Strawn formation (Northeast Shoe Bar-Strawn Oil Pool).
3. Applicant has been unable to obtain leases or voluntary agreement for pooling or farmout from certain other interest owners in the Strawn formation underlying the SW/4 SE/4 of said Section 7.

4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests and approval of the unorthodox well location will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on July 11, 2002 and that after notice and hearing as required by law, the Division enter its Order approving the unorthodox well location and pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as maybe proper in the premises.

MILLER, STRATVERT & TORGERSON, P.A.

By



J. Scott Hall  
Attorneys for Permian Resources, Inc.  
Post Office Box 1986  
Santa Fe, New Mexico 87504-1986  
(505) 989-9614

Case 12890

Proposed Advertisement

**Application of Permian Resources, Inc. for compulsory pooling and unorthodox well location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Strawn formation, Northeast Shoe Bar-Strawn Oil Pool, underlying the W/2 SE/4 of Section 7, Township 16 South, Range 36 East, to form a standard 80-acre spacing and proration unit to be dedicated to Applicant's Chambers No. 2 well. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Permian Resources, Inc. as operator of the well and a charge for risk involved in drilling said well. Applicant further seeks approval to drill its well at an unorthodox surface location 990 feet from the South line and 1,100 feet from the East line to an unorthodox bottom hole location 1,500 feet from the East line and 1,350 feet from the South line in the NW/4 SE/4 (Unit J) of said Section 7. The proposed well location is approximately 4 miles East of Lovington, New Mexico.

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