

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

IN THE MATTER OF THE APPLICATION OF PERMIAN  
RESOURCES, INC. TO AMEND THE COST RECOVERY PROVISIONS  
OF COMPULSORY POOLING ORDER NO. R-11682,  
LEA COUNTY, NEW MEXICO

12954  
CASE NO. ~~12715~~

**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 amending the cost recovery provisions of Order No. R-11682 pooling all interests in the Wolfcamp formation, (North Shoe Bar Wolfcamp Oil Pool) underlying the SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 160-acre spacing and proration unit. In support thereof, Applicant would show the Division:

1. On October 30, 2001, pursuant to a hearing held on September 6, 2001, the Division issued Order No. R-11862 pooling certain uncommitted interests in the SE/4 of Section 7 preparatory to the drilling of Applicant's Chambers No. 2 well at a standard location in the N/2 SE/4 of said Section 7 to a depth sufficient to test the Wolfcamp formation (North Shoe Bar Wolfcamp Oil Pool), as well as the Strawn formation (North Shoe Bar Strawn Oil Pool).

The evidence at the hearing established that Applicant owned or controlled 100 percent of the available working interest in the SE/4 of Section 7 and that Applicant sought to pool only the remaining unleased mineral interests constituting a relatively small percentage of the interests in the unit and owned primarily by foreign individuals.

Applicant demonstrated that it had been unable to obtain leases or voluntary agreement for pooling or farmout from those interest owners and the Division accordingly granted Applicant's request to pool those interests.

2. Subsequent to the hearing and the issuance of Order No. R-11682, Applicant made the determination that it would be feasible to test the Wolfcamp formation by re-entering and re-completing the existing Chambers No. 1 well previously drilled by Merit Energy Company located 555 feet from the South line and 2085 feet from the East line in the SW/SE of Section 7 (Unit O). Applicant re-entered the Chambers No. 1 well in December, 2001 and successfully re-completed the well as a Wolfcamp producer that same month.

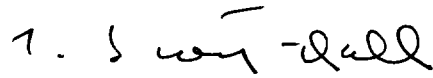
3. The evidence of well costs and drilling and producing supervision charges presented at the September 6, 2001 hearing on the original Application are no longer applicable, in part, to the costs incurred in connection with the re-entry and re-completion of the Chambers No. 1 well.

4. Applicant will present evidence of, among other things, the actual costs incurred in the re-entry and re-completion of the Chambers No. 1 well and the revised drilling and supervision charges. Applicant will also present its proposal that will provide the pooled interest owners the opportunity to object to those costs and to tender their proportionate share of well costs as they may elect.

5. The amendment of Order No. R-11682 to provide for the revision of the well cost provisions will promote the efficient and orderly development of the subject lands, will protect the rights of the pooled interest owners, will serve to prevent waste and is otherwise in the interests of conservation.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on October 24, 2002 and that after notice and hearing as required by law, the Division enter its Order amending Order No. R-11682 to include new provisions reflecting the actual costs for the re-entry and re-completion of the Chambers No. 1 well, the adoption of such actual costs as reasonable costs, and providing the pooled interest owners the opportunity to object to those costs and tender their proportionate share of such costs as they may elect, and making such other provisions as may be proper.

MILLER, STRATVERT & TORGERSON, P.A.

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**Case No. ~~12715~~:** **Application of Permian Resources, Inc. to Amend the Cost Recovery Provisions of Compulsory Pooling Order No. R-11682, Lea County, New Mexico.** Applicant seeks an amendment to the cost recovery provisions of Order No. R-11682 pooling mineral interests in the Wolfcamp formation (North Shoe Bar Wolfcamp Oil Pool) underlying the SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, to reflect the costs of the re-entry and re-completion of the Chambers No. 1 well, along with revised drilling and producing supervision charges. The well is located approximately three miles west of the center of Lovington, New Mexico.