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- * New Mexico Board of Specialization Recognized Specialist in Natural Resources - Oil & Gas Law
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August 25, 2003

HAND-DELIVERED

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

RECEIVED
AUG 25 2003
Oil Conservation Division

Re: New Mexico Oil Conservation Case No. 13144; Application of Permian Resources, Inc to Amend the Special Rules and Regulations for the North Shoe Bar-Strawn Pool to Change the Acreage Dedication and Well Location Requirements, or Alternatively, for an Unorthodox Well Location, Lea County, New Mexico

Dear Ms. Wrotenbery:

Enclosed is 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 September 18, 2003 Division Examiner hearing docket. Also enclosed on disk and in hard copy is a proposed advertisement for the case.

Thank you for your assistance.

✓

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb
Enclosures

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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 SPECIAL RULES AND
REGULATIONS FOR THE NORTH SHOE BAR-STRAWN
POOL TO CHANGE THE ACREAGE DEDICATION AND
WELL LOCATION REQUIREMENTS, OR ALTERNATIVELY,
FOR AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO

RECEIVED

AUG 25 2003

Oil Conservation Division

CASE NO. 13144

APPLICATION

PERMIAN RESOURCES, INC., through its counsel, Miller-Stratvert, P.A. (J. Scott Hall), hereby applies to the Oil Conservation Division for an order amending the Special Pool Rules and Regulations for the North Shoe Bar-Strawn Pool to provide for 80-acre spacing units and commensurate well location requirements, or alternatively, for approval of an unorthodox well location. In support, Applicant states:

1. Applicant is the Operator of the Hillburn No. 3 well currently drilling from a surface location 510' FNL and 250' FWL of Section 13, T-16-S, R-35-E, NMPM, with a projected bottomhole location 990' FNL and 330' FWL of said Section 13. Applicant proposes to complete its Hillburn No. 3 well in the Strawn formation in the North Shoe Bar- Strawn Pool.

2. The North Shoe Bar Strawn pool was created pursuant to Order No. R-4658 issued on November 10, 1973 which also adopted temporary operating rules for the pool, subsequently made permanent by Order No. R-4658-B issued by the Division on December 3, 1974.

3. Rule 2 of the Special Rules and Regulations for the North Shoe Bar-Strawn pool provides that each well is to be located on a standard unit containing 160 acres, more or less. Rule 4 of the pool rules for the pool provides that each well shall be located within 150' of the center of a governmental quarter/quarter section or lot and further providing at Rule 6 that in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

4. Applicant proposes to amend Rule 2 of the Special Rules and Regulations for the North Shoe Bar Strawn pool to provide that each well may be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter-section; provided however, that nothing contained in the proposed rule should be construed as prohibiting the drilling of a well on each of the two quarter/ quarter-sections in that unit.

5. Applicant further proposes that the amended pool rules provide for the Division to grant an exception to the requirements of Rule 2 without notice and hearing when an application is duly filed under the provisions of Rule 104 D(2) of the Division's general rules.

6. Applicant also proposes amending current Rule 4 of the pool rules for the said North Shoe Bar-Strawn pool to provide that a well may be located no closer than 330' to any quarter/quarter section or subdivision inner-boundary or closer than 1020' to the nearest well drilling to or capable of producing from the same pool. Applicant also proposes the adoption of provisions authorizing the Division Director to grant exception

to the well locational requirements of the amended rule without hearing when an application is filed under the provisions of Rule 104F of the Division's general rules.

7. The North Shoe Bar-Strawn Pool is presently comprised of the following acreage located in T-16-S, R-35-E;

Section 13: N/2, SW/4

Section 14: E/2

8. As an alternative to the requested amendment of the Special Rules and Regulations for the North Shoe Bar-Strawn pool, Applicant seeks an exception to the well locational requirements of Division Rule 104 for the drilling of the Hillburn No. 3 well at the unorthodox surface and bottomhole locations referenced in paragraph one above.

9. The Strawn formation reserves that are the target of the Applicant's proposed Hillburn No. 3 well cannot be efficiently accessed from a straight hole well drilled at a standard location in the NW/4 of Section 13.

10. Under the alternative requested relief, Applicant proposes to dedicate a standard 160-acre unit under the current rules and regulations for the North Shoe Bar Strawn pool to its Hillburn No. 3 well currently drilling from the unorthodox surface location referenced above to an unorthodox Strawn formation bottomhole location 990' FNL and 330' FWL of Section 13 to a depth sufficient to test the Strawn formation.

11. 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.

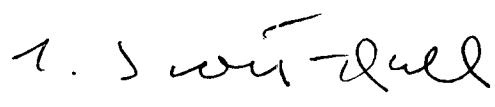
WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on September 18, 2003 and that after notice and hearing as required by law, the Division enter its Order providing as follows:

1. Amending the Special Rules and Regulations for the North Shoe Bar-Strawn pool to provide for (a) the creation of 80-acre units, (b) authorizing well locations no closer than 330' to any quarter quarter section or subdivision inner-boundary or closer than 1020' to the nearest well drilling or capable of producing from the same pool, and (c) for administrative approvals of exceptions to the well locational requirements under the amended rule.

2. Alternatively, Applicant seeks the issuance of an Order approving of its unorthodox surface and bottomhole locations for the Hillburn No. 3 well and providing such other and further provisions as the Division deems appropriate.

MILLER STRATVERT P.A.

By: _____


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