# MILLER, STRATVERT & TORGERSON, P.A.

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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

June 15, 2001

Mr. David Catanach New Mexico Oil Conservation Division 1220 S. St. Francis Santa Fe, New Mexico 87505

NMOCD Case No. 12633; Application of David H. Arrington Oil and Gas, Inc. for Unorthodox Well Location and Simultaneous Dedication, Lea County, New Mexico

Dear Mr. Catanach:

At the June 14, 2001 hearing on the above application, witness testimony referenced correspondence between Permian Resources, Inc. and the Applicant regarding the request for a waiver for Arrington's unorthodox location and Permian's efforts to protect its acreage from drainage by Arrington's wells in the E/2 of Section 14, by first deepening the Hilburn No. 2 well, and then subsequently by drilling a new Hillburn No. 3 well in the W/2 of Sec. 13, T16S, R35E. You requested I supplement the record with the referenced correspondence and I accordingly provide you with two copies of each of the following:

Exhibit B: March 29, 2001 correspondence from Permian (Randy Stevens) to Arrington proposing the directional deepening of the Hilburn No. 2 well to a standard BHL in the Strawn. Arrington responded to this proposal by correspondence dated April 27, 2001, which is already designated in the record as Exhibit A.

<u>Exhibit C</u>: June 10, 2001 correspondence from Permian (Robert Marshall) to the Division advising of the withdrawal of the proposal to directionally deepen the Hilburn No. 2 to the Strawn formation due to the objection of David H. Arrington Oil and Gas, Inc., the owner of an interest in the subject well.

David Catanach June 15, 2001 Page two

Exhibit D: June 11, 2001 correspondence from Permian (Robert Marshall) to Arrington proposing the drilling of the Hilburn No. 3 well at a non-standard surface location 660' FNL and 330' FWL, with an ultimate BHL of 1,980' FNL and 1,980' FWL of Section 13.

Exhibit E: June 12, 2001 correspondence from Arrington (Bill Baker) to Permian proposing that the Arrington Mayfly "14" State Com No. 7 in Section 14 and the Permian Hilburn No. 3 well proposed to be drilled to a location 1,980' from the north and west lines of Section 13 both be subject to a 50% production penalty. The proposal does not explain how such a production restriction on oil production would be implemented.

Exhibit F: June 11, 2001 correspondence from Permian (Robert Marshall) to Arrington proposing to drill the Hilburn No. 3 well at a standard surface location 660' FNL and 510' FWL of Section 13, with an ultimate BHL in the Strawn formation 1,980' from the north and west lines of Section 13. Attached to the letter is an AFE and certain other documentation. Note: The letter is misdated and should reflect a June 12, 2001 date. The letter was delivered to David H. Arrington Oil and Gas, Inc. on June 13th (Exhibit G).

Should you require any additional information or materials, please let me know.

Very truly yours,

MILLER, STRATVERT & TORGERSON, P.A.

1. I wy dall

J. Scott Hall

JSH/ao Enclosure(s) – as stated

cc: Robert Marshall

Michael Feldewert (with enclosures)

7690/26781/Correspondence/Catanach ltr.doc

# PERMIAN RESOURCES, TNC.

.: JUN 1 8 2001

March 29, 2001

David H. Arrington Oil & Gas, Inc. P. O. Box 2017 Midland, TX 79702

Via Certified Return Receipt Mail 7099 3400 0016 0162 7122

Re: Hilburn No. 2

Section 13, T16S, R35E, Lea County, NM Proposal to Deepen and Drill Horizontally

#### Gentlemen:

Permian Resources, Inc, as operator of the above referenced well, hereby proposes the directional deepening of the **Hilburn No. 2** vertical wellbore from the <u>existing surface</u> <u>location</u> of 1,190' FNL and 1,980' FWL to the <u>proposed bottom hole location</u> of 660' FNL and 660' FWL to test the North Shoe Bar (Strawn) interval.

The proposed deepening and completion attempt is necessary to protect the correlative rights of the mineral and leasehold owners of the NW/4 Section 13, T16S, R35E, from the potential drainage as incurred by the offsetting David Arrington Oil & Gas, Inc. – Mayfly "14" State Com No. 2 well. The Mayfly "14" State Com. No. 2 was drilled as a ±1,214' horizontal Strawn completion from a surface location of 660' FNL and 2060' FEL to a reported bottom hole location of 715' FNL and 788' FEL in the <u>adjacent</u> Section 14, T16S, R35E. The Mayfly "14" State Com No. 2 was completed in September, 1999 and through December, 2000 has produced a cumulative 247,770 Bbls and 475,556 MCF from the Strawn interval. The well continues to flow in excess of 400 BOPD and 900 MCFPD.

For your review and approval, please find two (2) copies of an "Authority For Expenditure" (AFE) providing for the directional deepening of the Hilburn No. 2 well. Please return one copy of the enclosed AFE along with a copy of this letter executed on

Permian Resources
Ex. No. \_\_\_\_\_\_
NMOCD Case No. 12663
June 14, 2001

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Hilburn No. 2 Proposal to Directionally Deepen March 29, 2001 - Page No. 2

your behalf so that operations may begin as early as possible. For your expedient review of the proposal, also enclosed is a land ownership plat of the Hilburn area, a proposed detailed procedure to deepen the Hilburn No. 2 and a production decline curve of the offsetting Arrington Mayfly "14" State Com. No. 2 well. Pursuant to the Joint Operating Agreement dated September 15, 1972, you have 30 days upon receipt of this letter to make an election.

Should you have any questions concerning this matter, please contact me at the letterhead address.

_	Randy Stevens  Very truly yours,  By A D
	ms/
	Enclosures
	Elect to Join
	Elect not to Join
	David Arrington Oil & Gas, Inc. 4.5455% Working Interest
	By:
	Name:
	Title

# PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	HILBURN PU	D				Well No.:	2	Field: SH	OE BAR, NORTH (STR.	AWN)
Well Location:	1190' FNL & 1	980' FWL, BHI	_ 660' FNL &	660' FWL		Legal: SI	CTION 1	3, T16S, R35E,		
County:	LEA			State:	NM	Prop Depth		11,500 fee	AFE No.:	
Obj./ Form.	SQUEEZE EX	ISTING WOLF	CAMP PERI	S, KO @ 1	1,200' AND E	RILL HORIZO	NTAL TO	BHL. COMPLETE A	ND EQUIP.	
			CATEGORY	<u></u>				DRILL & TEST	COMPLETION	TOTAL
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Special Services Rentals - Surface		Directional Se Rotating Head	rvices, Motor	s, MWD				\$75,500 \$12,500		\$75,500 \$12,500
Rentals - BHA Eq		Whipstock, Pk	rs., X-overs,	Valves				\$19,000	\$2,500	\$21,500
Rentals - Miscellaneous Rer	Drill Pipe	\$21,000 Frac Tanks	Tubing		_ BOP/CK	\$3,500		\$21,000 \$1,500	\$3,500 \$5,000	\$24,500 \$6,500
Mud & Chemicals Rig Supervision	\$500.00	Mud & Closed		es Drill	6	Complete		\$30,000 \$9,000	\$3,000	\$30,000 \$12,000
Trucking	2200.00	_ 'uu'		J.111		Complete		\$3,500 \$3,500	\$2,500	\$6,000
Insurance Overhead	\$250.00		18	Drill	6	Complete		\$4,500	\$1,500	\$3,500 \$6,000
Well Equipment - Lease Equipment -								\$2,500	\$2,500 \$1,500	\$5,000 \$1,500
Contingencies @			of Total					\$38,100	\$6,900	\$45,000
TOTAL INTANC	GIBLES						:	\$419,500	\$75,500	\$495,000
TANGIBLES: Well Equipment -	Non Controllable							\$2,000	\$2,000	\$4,000
Surface Casing -							•		92,000	_
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Pumping Unit / M Subsurface Pumps	;	API Size			_ MOIOI FIF				\$4,000	\$4,000
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Lease Equipment Separators		e Treaters	-	Dehvd	_				\$1,500 \$0	\$1,500 \$0
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Compressors Pumps										<u>\$0</u>
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# Permian Resources, Inc

### Hilburn No. 2

# <u>Procedure to re-complete and deepen utilizing directional drilling from North Shoe</u> Bar (Wolfcamp) Pool to North Shoe Bar (Strawn) Pool.

### Current Surface Location

1190' FNL & 1980"FWL Section 13, T16S, R35E Lea County, New Mexico

# **Existing Wellbore Conditions**

17-1/2" hole 13-3/8" 61 & 54.5 #/ft casing @ 405'

12-1/4" hole 8-5/8" 32 & 24 #/ft casing @ 4,146'

Cmt'd w/ 425 sx. Circ 75 sx. Cmt'd w/ 2030 sx Lite lead + 350 sx "C"

+ 2% CaCl tail. Circ 250 sx.

7-7/8" hole 5-1/2" 20 & 17 #/ft casing @11,500'

Cmt'd w/ 485 sx "H". TOC @ 7,770' by TS

PBTD @ 11,403'

Perforations Wolfcamp

10,448-50', 10,454-74' & 10,484-86' w/ 1 spf

### Proposed New Bottom Hole Location

660' FNL and 660' FWL Section 13, T16S, R35E Lea County, New Mexico

## Proposed Procedure

- 1. Contract John West Surveys to re-survey confirming surface location as originally permitted and providing latitude and longitude. MIRU well service unit. POOH w/ rods and tbg. Set 5-1/2" CIBP @ ±11,200'. Set CICR @ ±10,410'. Squeeze cement existing Wolfcamp perforations 10,448-50', 10,454-74' and 10,484-86'. D/O CICR and cement to top of CIBP. Test squeeze job and casing to 1,000 psig. If no test, re-squeeze and repeat until successful. RD well service unit. Disassemble and move BPU. Clean, level and dress location.
- 2. MIRU rotary drilling rig. ND tbghead and install flange. NU 5000#, 6", double ram hydraulic BOP w/ 5000# hydril. Install rotating head. RU & NU choke manifold, choke lines, gas buster and flare line. Test BOP, choke manifold and associated lines. RU directional drilling equipment and MWD equipment. Set 5-1/2", 20#/ft whip stock per directional drilling contractor specs on top of CIBP @ 11,200'.
- 3. PU mill, motor, BHA and RIH on DP. Cut window in 5-1/2" casing. POOH and PU 4-5/8" Bit and RIH on motor, BHA and DP. Kick off out window, build angle and begin drilling to encounter Strawn porosity @ ± 11, 360' TVD. Upon encountering Strawn porosity continue drilling in porosity to BHL at 660' FNL & 660' FWL, Section 13, T16S, R35E. Control well and record orientation, depth, angle, and coordinates per directional drilling contractor and NMOCD requirements. Anticipate 9.2 to 9.3 PPG cut brine drilling fluid with additives to control fluid loss and viscosity.
- 4. Upon reaching BHL target estimate TVD @ 11,370', MVD @ 12,750', total displacement ±1,422'. Condition hole and RU open hole loggers. Log 4-5/8" open hole from MVD to 5-1/2" casing window with GR / CNL/FDL and GR / DLL w/ MSFL. If encounter productive hydrocarbons, run 4" FJ Liner from ±11,180' through build angle and shale to Strawn

Permian Resources, Inc. Hilburn No. 2 Re-completion to North Shoe Bar (Strawn) 19 March 2001 – Page 2

porosity. Cement liner and D/O if required by hole conditions. Lay down DP & BHA. RD rotary drilling rig.

5. RU well service unit. NU BOP and RIH w/ Pkr. and tbg. Set pkr. and acid stimulate as required. Test well. Complete as flowing completion or install BPU if required. RD well service unit. Restore location.

LOCATION:	DUIT C, S	SEC	13, 7-	165, R	7-35E
	1190' FNA				

13-231-PB, 7-/9

1/12/1/15	1 400=110=
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ACIDIZED W/7500 gals 15% NE-FE gelled =10 =11	ブルラル 54.5#, J-55 0-209
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ANCHOR: 0 10,372' W 14,000 # TENSON ="11	
RODS: 168-78" sked rods + 165-12" Fiberflex Fo rods = Ti	=111 85/8", STRC
RmP: 1/4" x 2/2" x 38' RHBC HF " "   1/2"   2   1/2"	11 Top 24#, J-55 0-2183
NOTE TO SERVICE FOR SERVICE FO	11 BOTTOM 32#, J-55, 2 63-45
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Checked By Date 5/23/89	Title HILBURN NO. 2	Field SHOFBAR WOLFCAMP N.
Page of	WELLBORE DIAGRAM	State 100 AC SPACING

District I 1625 N. French Dr., Hobbs, NM 88240 District II 811 South First, Artesia, NM 88210 District III 1000 Rio Brazos Road, Aztec, NM 87410 District IV

Date:

3-19-01

Phone:

(915) 685-0113

# State of New Mexico Energy Minerals and Natural Resources

Submit to appropriate District Office , State Lease - 6 Copies

Form C-101

Revised March 17, 1999

Oil Conservation Division 2040 South Pacheco

Fee Lease - 5 Copies

2040 South Pacheco, Santa Fe, NM 87505 Santa Fe, NM 87505 AMENDED REPORT APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE Operator Name and Address <sup>2</sup> OGRID Number 25797 Permian Resources, Inc. API Number P.O. Box 590, Midland, TX 79702 30-025-29349 Property Code Property Name 6 Well No. 25993 Hilburn Surface Location UL or lot no. Section Township Range Lot Idn Feet from the North/South line Feet from the East/West line County 1190 1980 13 16S 35E North West Lea Proposed Bottom Hole Location If Different From Surface East/West line UL or lot no. Section Township Range Lot Idn Feet from the North/South line Feet from the County 13 16S 660 660 West 35E North Lea D Proposed Pool 1 10 Proposed Pool 2 North Shoe Bar (Strawn) Ground Level Elevation Work Type Code Well Type Code Cable/Rotary Lease Type Code 39671 Ρ Spud Date Multiple Proposed Depth Formation Contractor N 11,370 TVD Strawn NA 4/1/01 12,750 MVD Proposed Casing and Cement Program Hole Size Casing Size Casing weight/foot Setting Depth Sacks of Cement Estimated TOC 17-1/2" 13-3/8" 61 & 54.4 405 425 Circ. 75 SX \* 12-1/4" 8-5/8" 32 & 24 4146 2380 Circ 200 SX 7-7/8" 5-1/2" 20 & 17 11,500 7770' TS 760 4" FJ liner 4-5/8" 11.6 11,330 100 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary. \* Existing casing strings See attached proposed procedure & existing wellbore diagram Permit Expires 1 Year From Approval Date Unless Drilling Underway <sup>23</sup> I hereby certify that the information given above is true and complete to the best of OIL CONSERVATION DIVISION my knowledge and belief, ORIGINAL SIGNED BY CHRIS WILL Approved by: DISTRICT I SUPERVISOR Signature: Printed name: Robert H. Marshall Title: Title: Approval Da **Expiration Date:** President

Conditions of Approval:

Attached

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV

2040 South Pacheco, Santa Fe, NM 87505

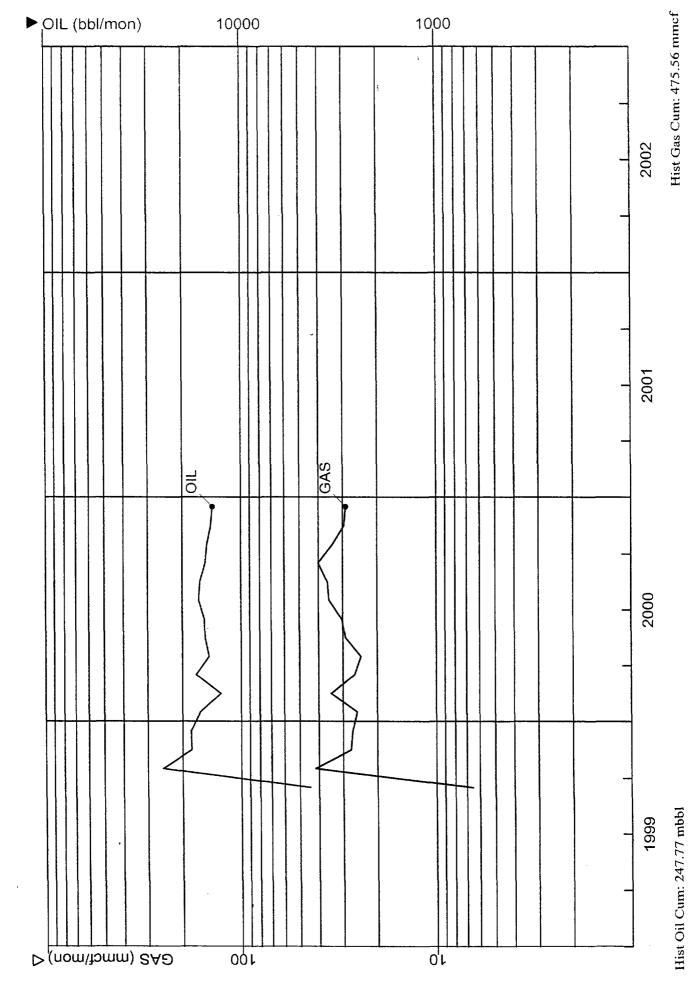
# State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505 Form C-102
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

		WE	LL LO	CATION	AND ACE	REAGE DEDIC	CATION PL	AT	
API Number <sup>2</sup> Pool Code						Nonth	'Pool Na Shoébar (	=	
30-025-2				56270			Suceriai (	Scrawii)	
* Property © 25993	Code	Hilb	ourn		<sup>1</sup> Property	Name			* Well Number 2
OGRID I	No.				<sup>a</sup> Operator	Name			' Elevation
25797		Perm	nian Re	sources	, Inc.				3967'
					<sup>10</sup> Surface	Location			
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West	1
С	13	16-S	35-E		1190	North	1980	West	Lea
			11 Bott	om Hol	e Location I	f Different Fro	om Surface		
UL or let no.	Section 13	Township 16-S:	Range 25-E	Lot Idn	Feet from the 660	North/South line North	Feet from the 660	East/West	1 . *
12 Dedicated Acr			Consolidatio	n Code 15 C	rder No.	<u> </u>		<u> </u>	
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NO ALLOV	VABLE								N CONSOLIDATED
		OR A	NON-ST	NDARD	UNIT HAS B	EEN APPROVED	BY THE DIV	ISION	
16/099		Proposed	17	<b>X</b>			17 OPER	RATOR (	CERTIFICATION
IIA / 1/	Hi	lburn No	2/	1			18 ,		rmation contained herein is
660'		/ BHL Z	s /				true ana com	piete to the be:	st of my knowledge and belief
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•			NSL Or	der-191	9		Printed Nan	ident	
111		Locati	on				Title	raent	
112		h No. 1 & 660'	E3.11				3-19	-01	
		ar (Ser		4			Date		
North	Shoeba	r (Wolf	camp)	1	,		18SUR	EYOR (	CERTIFICATION
D)	ic Peri	hit - 88	5				11	••	ll location shown on this plat
							or under my		s of actual surveys made by me nd that the same is true and elief.
		ŀ		1			15		001
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<b> </b>		<del>                                     </del>	<del></del>		<del></del>		Signature an	d Seal of Profe	essional Surveyer:
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							Certificate N	Number Job	No. 66.434

Submit 3 Copies To Appropriate District Office	State of New Me			Form C-		
District I	Energy, Minerals and Natu	ral Resources	WELL API NO.	Revised March 25, 1	1999	
1625 N. French Dr., Hobbs, NM 87240 District II		D	l .	: 20240		
811 South First, Artesia, NM 87210	OIL CONSERVATION		30-025-29349 5. Indicate Type of Lease			
<u>District III</u> 1000 Rio Brazos Rd., Aztec, NM 87410	2040 South Pach		STATE C	□ FEE 🛱		
District IV	Santa Fe, NM 87	1505	6. State Oil & C			
2040 South Pacheco, Santa Fe, NM 87505						
(DO NOT USE THIS FORM FOR PROPOSA DIFFERENT RESERVOIR. USE "APPLICA PROPOSALS.)  1. Type of Well:	TION FOR PERMIT" (FORM C-101) FC	JG BACK TO A	7. Lease Name of Hilbs	r Unit Agreement Nar urn	ne:	
Oil Well 🖫 Gas Well	Other	·				
2. Name of Operator	_		8. Well No.	2	1	
Permian Resources, Inc. 3. Address of Operator	C .		9. Pool name or			
P.O. Box 590, Midland	4 TY 70702		1	Bar (Strawn)		
4. Well Location	19.14		T NOTELL SHOP	-par(artawn)		
BHL	·					
Unit Letter D:	660 feet from the North	line and	660 feet fro	m the <u>West</u>	line	
Section 12	Township 165 Ra		NMPM IFA	Country		
	Township 16S Ra  10. Elevation (Show whether Di	inge 35F		County	NAMES OF	
	3967					
11. Check Ap	propriate Box to Indicate Na		Report or Other	Data		
NOTICE OF INT		i	BSÉQUENT RE			
PERFORM REMEDIAL WORK	PLUG AND ABANDON 🔲	REMEDIAL WOR	RK 🔲	ALTERING CASING	3 🗆	
TEMPORARILY ABANDON	CHANGE PLANS	COMMENCE DR	RILLING OPNS.	PLUG AND		
	MULTIPLE  COMPLETION	CASING TEST A	ND 🗆	ABANDONMENT		
			.*			
OTHER: Simultaneous Ded	ication X	OTHER:	· · · · · · · · · · · · · · · · · · ·			
<ol> <li>Describe proposed or completed of starting any proposed work). or recompilation.</li> </ol>	l operations. (Clearly state all per SEE RULE 1103. For Multiple (					
Administrative approv directionally drilled Surface Location: 11	deepening Hilburn #2	wellbore.	•	, •	sed	
Proposed bottom hole	location: 660' ENT. X	660' FUT (	T-105, A-33E T 13 T	≱ -165 R-35F		
and existing Hilburn						
existing 160 acre sta						
the NW/4 of Sec. 13,		(	•			
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I hereby certify that the information	above is true and complete to the	best of my knowle	edge and belief.		<del>-</del>	
SIGNATURE / MI	Mellel TITLE	President	·	DATE 3-20-0	<u>L</u> ,	
Type or print name Robert F	I. Marshall		Tele	phone No. (915)	685 <u>-</u> 0112	
(This space for State use)	** ***********************************			<u> </u>	ANT-0113	
,	•					
APPPROVED BY	TITLE_		·····	DATE	<u></u>	
Conditions of approval, if any:						





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General Well Search Instructions:

Wells By County You can preview the data or download them as

Excel .csv file .

Wells By Operator

Wells By Pool

Wells by Location

**NM Production Data** 

### download

Well Name MAYFLY 14 STATE COM Well Number 002

Operator DAVID H ARRINGTON OIL & GAS INC API 3002534630

Township 16S Range 35E Section 14 Unit B Lease Type State

County Lea Well Bond Status Active

Accumulated Oil 247770(BBLS) Gas 475556(MCF) Water 0(BBLS) Days Produced 470 Year 1999

Pool	SHOE BAR;STRAWN, NORTH Pool Status F							
Month	Oil (BBLS)	Accum. Oil (BBLS)	Gas (MCF)	Accum. Gas (MCF)	Water (BBLS)	Days Produced		
January	0	0	0	0	0	0		
February	0	0	0	0	0	0		
March	0	0	0	0	0	0		
April	0	0	0	0	0	0		
May	0	0	0	0	0	0		
June	0	0	Ω	0	0	0		
July	0	0	0	0	0	0		
August	0	0.	0	0	0	0		
Septemb	er 4425	4425	6507	6507 ·	0	12		
October	25252	29677	41658	48165	0	31		

November 17935	47612	27375	75540	0	30	
December 18084	65696	26793	102000	0	31	

Year 2000

Pool SHOE BAR; STRAWN, NORTH Pool Status F

Month	Oil (BBLS)	Accum. Oil (BBLS)	Gas (MCF)	Accum. Gas (MCF)	Water (BBLS)	Days Produced
January	16145	81841	25353	127686	0	31
February	12732	94573	34585	162271	0	29
March	16968	111541	26115	188386	0	31
April	14598	126139	24258	212644	0	30
May	15269	141408	29133	241777	0	31
June	15359	156767	30281	272058	0	30
July	16409	173176	35260	307318	0	31
August	16222	189398	35954	343272	0	31
Septembe	r 15212	204610	40033	383305	0	30
October	14892	219502	33869	417174	0	31
November	14276	233778	29540	446714	0	30
December	13992	247770	28842	475556	0	31

# mend Permian Resources, Tic. 2

March 29, 2001

David H. Arrington Oil & Gas, Inc. P. O. Box 2017 Midland, TX 79702

Via Certified Return Receipt Mail 7099 3400 0016 0162 7122

Re: Hilburn No. 2

Section 13, T16S, R35E, Lea County, NM Proposal to Deepen and Drill Horizontally

### Gentlemen:

Permian Resources, Inc, as operator of the above referenced well, hereby proposes the directional deepening of the **Hilburn No. 2** vertical wellbore from the <u>existing surface</u> <u>location</u> of 1,190' FNL and 1,980' FWL to the <u>proposed bottom hole location</u> of 660' FNL and 660' FWL to test the North Shoe Bar (Strawn) interval.

The proposed deepening and completion attempt is necessary to protect the correlative rights of the mineral and leasehold owners of the NW/4 Section 13, T16S, R35E, from the potential drainage as incurred by the offsetting David Arrington Oil & Gas, Inc. – Mayfly "14" State Com No. 2 well. The Mayfly "14" State Com. No. 2 was drilled as a ±1,214' horizontal Strawn completion from a surface location of 660' FNL and 2060' FEL to a reported bottom hole location of 715' FNL and 788' FEL in the <u>adjacent</u> Section 14, T16S, R35E. The Mayfly "14" State Com No. 2 was completed in September, 1999 and through December, 2000 has produced a cumulative 247,770 Bbls and 475,556 MCF from the Strawn interval. The well continues to flow in excess of 400 BOPD and 900 MCFPD.

For your review and approval, please find two (2) copies of an "Authority For Expenditure" (AFE) providing for the directional deepening of the Hilburn No. 2 well. Please return one copy of the enclosed AFE along with a copy of this letter executed on

Permian Resources
Ex. No. \_\_\_\_\_\_
NMOCD Case No. 12663
June 14, 2001

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Hilburn No. 2 Proposal to Directionally Deepen March 29, 2001 - Page No. 2

your behalf so that operations may begin as early as possible. For your expedient review of the proposal, also enclosed is a land ownership plat of the Hilburn area, a proposed detailed procedure to deepen the Hilburn No. 2 and a production decline curve of the offsetting Arrington Mayfly "14" State Com. No. 2 well. Pursuant to the Joint Operating Agreement dated September 15, 1972, you have 30 days upon receipt of this letter to make an election.

Should you have any questions concerning this matter, please contact me at the letterhead address.

Very truly yours, Randy Stevens
ms/
Enclosures
Elect to Join
Elect not to Join
David Arrington Oil & Gas, Inc. 4.5455% Working Interest
By:
Name:
Tiale

# PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	HILBURN PUI	)				Weil No.:	2	Field: SH	OE BAR. NORTH (STRA	WN)
Weil Location:	1190' FNL & 19						CTION 13, T	16\$, R35E,	·	
County:	LEA			State:	NM	Prop Depth:		11,500 fee	t AFE No.:	
Obj./ Form.	SQUEEZE EXI	ISTING WOLF	CAMP PERF	s, Ko@1	1,200' AND D	RILL HORIZO	NTAL TO BH	L. COMPLETE A	ND EQUIP.	
		(	CATEGORY				DF	HLL & TEST	COMPLETION	TOTAL
Contract Drig - N Contract Drig - D Contract Drig - D Contract Drig - F Bits Fuel & Power Completion Rig Competion Rig Cement Surface Cement Productic Casing Tools and P & A Open Hole Loggi Mud Logging Cased Hole Logg Perforating DST/Testing Stimulation - Aci Special Services Rentals - Surface Rentals - BHA E Rentals - Miscellaneous Re Mud & Chemical Rig Supervision Trucking Insurance Overhead Well Equipment Lease Equipment	ss,450  \$8,450  5 6 on Crews  ng \$5,000  ing  d quipment Drill Pipe entals s \$500.00  Intangible Installic - Intangible Installic	days @ Cement \$7,000  Coring  Open-hole com Test rental tbg. \$15,000  Directional Ser Rotating Head, Whipstock, Pk. \$21,000  Frac Tanks Mud & Closed /day  /day attion attion	& repair. Te Stimulation vices, Motors Gas Sep., Ho rs., X-overs. V Tubing Loop Service	day Liner  st prod. tbg on - Fractur , MWD ousing, LM /alves cs	/day /foot  Prepare Re-E Complete Str \$5,000			\$3,500 \$18,000 \$105,950 \$0 \$26,000 \$11,450 \$10,500 \$5,000 \$2,500 \$3,000 \$3,000 \$12,500 \$12,500 \$12,500 \$12,500 \$3,000 \$3,000 \$3,500 \$3,500 \$3,500 \$3,500 \$3,500 \$3,500 \$3,500	\$12,600 \$7,000 \$7,000 \$7,000 \$5,000 \$15,000 \$2,500 \$3,500 \$3,000 \$2,500 \$1,500 \$2,500 \$1,500 \$2,500	\$3,500 \$18,000 \$105,950 \$0 \$26,000 \$11,450 \$11,450 \$11,450 \$12,600 \$5,000 \$5,000 \$5,000 \$5,000 \$5,000 \$7,500 \$12,500 \$21,500 \$21,500 \$21,500 \$30,000 \$11,000 \$35,000 \$55,000
Contingencies @	)	10.0%	of Total					\$38,100	\$6,900	\$45,000
TOTAL INTAN	GIBLES							\$419,500	\$75,500	\$495,000
TANGIBLES: Well Equipment	- Non Controllable							\$2,000	\$2,000	\$4,000
Surface Casing -		OD,		#/ft, @		/ foot		\$0		\$0
Intermediate Cas	ing -	OD,		#/ft, @		/ foot		\$0		\$0
Producting Casin	ıg -	OD,		#/ft, @		/ foot			\$0	50
Liner -		-	12.9	#/ft, @	\$6,50	•			\$1,950	\$1,950
Tubing -		-			\$3,85	•			\$7,700	\$7,700
2,000 ft o	of 2-7/8"	-	N-80 6.5	#/ft, @	\$3,83					
ft o		- OD, OD,	•			/ foot / foot			\$0 \$0	<u>\$0</u>
Pumping Unit / N Subsurface Pump Other Control Su Wellhead Equipment Lease Equipment Separators	os ibsurface	API Size	Tbg Head	Dehyd		\$1,000		\$0	\$4,000 \$2,500 \$1,000 \$1,500 \$0	\$0 \$4,000 \$2,500 \$1,000 \$1,500 \$0
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TOTAL TANG	IBLES							\$2,000	\$24,150	\$26,150
							_			
TOTAL WELL CO		•						\$421,500	\$99,650	\$521,150
REMARKS:	Squeeze cemer	Orilling Prognos	camp perfs 10	.448-86. I	D/O cmt & set	CICR. Lay dow	n rods & tbg.	Move BPU. Prepa	re location.	
	Set CIBP, whi	pstock & cut wi	ndow at 11,21	0'. Drill 4-	·5/8" hole w/ 3	8 degree DL to	TVD 11,360'.	Drill horizontal turn to production.		
		porosity to Dril		À A	1X 12,718.	/ 17 10161,	Title: En		,	03/30/01
Prepared By:	M. Stewart		Initials:		17/		Title. Li	B		
Approval Company:	M. Siewart  David Arring	ton O&G	By:						Date:	

necipen	Price Book Con	2/1/2/8/13/18	
Proposal to Directionally   County, New Mexico lucing Zone Legend Wolfcamp Interval Strawn Interval Atoka Interval Morrow Interval	Glengal Tr. (S)  Glengal Tr. (S)  Glengal Tr. (S)  Chrisquers  Charabers  Cha	Permian Res!	5.15.144 N/2 N/2 0.5.6.Jr., M.L. 0.9 Murph (5) Chesopeake Oper. 6.20.2000 7.22.99 7.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99 1.22.99
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C.B.Gillespie Jr. E. 9050 P. 10V W. LOV- INGTONS INGTONS INGTONS GILLESPIE GROW(OPER.)		(vites Pet stall Chesapeak Chesapeak 10-3-2000 \$-22200 Yates Pet 17.00 Yates P	A. Trons etgt 18 8.2. Hibum ettre 19 72 Francan Reservable 19 19 19 19 19 19 19 19 19 19 19 19 19
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# Permian Resources, Inc

### Hilburn No. 2

Procedure to re-complete and deepen utilizing directional drilling from North Shoe Bar (Wolfcamp) Pool to North Shoe Bar (Strawn) Pool.

## Current Surface Location

1190' FNL & 1980"FWL Section 13, T16S, R35E Lea County, New Mexico

## Existing Wellbore Conditions

17-1/2" hole 13-3/8" 61 & 54.5 #/ft casing @ 405' 12-1/4" hole 8-5/8" 32 & 24 #/ft casing @ 4,146'

8-5/8" 32 & 24 #/ft casing @ 4,146' Cmt'd w/ 2030 sx Lite lead + 350 sx "C"

+ 2% CaCl tail. Circ 250 sx.

7-7/8" hole 5-1/2" 20 & 17 #/ft casing @11,500'

Cmt'd w/ 485 sx "H". TOC @ 7,770' by TS

PBTD @ 11,403'

Cmt'd w/ 425 sx. Circ 75 sx.

Perforations Wolfcamp

10,448-50', 10,454-74' & 10,484-86' w/ 1 spf

### Proposed New Bottom Hole Location

660' FNL and 660' FWL Section 13, T16S, R35E Lea County, New Mexico

### Proposed Procedure

- 1. Contract John West Surveys to re-survey confirming surface location as originally permitted and providing latitude and longitude. MIRU well service unit. POOH w/ rods and tbg. Set 5-1/2" CIBP @ ±11,200'. Set CICR @ ±10,410'. Squeeze cement existing Wolfcamp perforations 10,448-50', 10,454-74' and 10,484-86'. D/O CICR and cement to top of CIBP. Test squeeze job and casing to 1,000 psig. If no test, re-squeeze and repeat until successful. RD well service unit. Disassemble and move BPU. Clean, level and dress location.
- 2. MIRU rotary drilling rig. ND tbghead and install flange. NU 5000#, 6", double ram hydraulic BOP w/ 5000# hydril. Install rotating head. RU & NU choke manifold, choke lines, gas buster and flare line. Test BOP, choke manifold and associated lines. RU directional drilling equipment and MWD equipment. Set 5-1/2", 20#/ft whip stock per directional drilling contractor specs on top of CIBP @ 11,200'.
- 3. PU mill, motor, BHA and RIH on DP. Cut window in 5-1/2" casing. POOH and PU 4-5/8" Bit and RIH on motor, BHA and DP. Kick off out window, build angle and begin drilling to encounter Strawn porosity @ ±11, 360' TVD. Upon encountering Strawn porosity continue drilling in porosity to BHL at 660' FNL & 660' FWL, Section 13, T16S, R35E. Control well and record orientation, depth, angle, and coordinates per directional drilling contractor and NMOCD requirements. Anticipate 9.2 to 9.3 PPG cut brine drilling fluid with additives to control fluid loss and viscosity.
- 4. Upon reaching BHL target estimate TVD @ 11,370', MVD @ 12,750', total displacement ±1,422'. Condition hole and RU open hole loggers. Log 4-5/8" open hole from MVD to 5-1/2" casing window with GR / CNL/FDL and GR / DLL w/ MSFL. If encounter productive hydrocarbons, run 4" FJ Liner from ±11,180' through build angle and shale to Strawn

Permian Resources, Inc. Hilburn No. 2 Re-completion to North Shoe Bar (Strawn) 19 March 2001 – Page 2

porosity. Cement liner and D/O if required by hole conditions. Lay down DP & BHA. RD rotary drilling rig.

5. RU well service unit. NU BOP and RIH w/ Pkr. and tbg. Set pkr. and acid stimulate as required. Test well. Complete as flowing completion or install BPU if required. RD well service unit. Restore location.

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` سـ د		FCAMD (3 880)				1 15	11121 17/2	hole
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							TO.C @ 7770' ()	1+5)

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Date	sed By 5/23/89
Page	of

Conoco Inc.
Calculation Sheet

Title HILBURN NO. 2	· .
WELLBORE DIAGRAM	-

Job No.

Field SHOF BAR WOLFCAMP, N State 160 AC SPACINS <u>District I</u> 1625 N. French Dr., Hobbs, NM 88240 District II 811 South First, Artesia, NM 83210 District III 1000 Rio Brazos Road, Aztec, NM 87410

# State of New Mexico Energy Minerals and Natural Resources

Submit to appropriate District Office State Lease - 6 Copies

Oil Conservation Division 2040 South Pacheco

Form C-101

Revised March 17, 1999

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE  'Operator Name and Address  Permian Resources, Inc.  Property Code  Property Octe  25993  Hilburn  Surface Location  Ut. win to begin Township  Range Loth Feetfounds North 1980  Ut. win to begin Township  Begin Loth Feetfounds North 1980  Ut. win to begin Township  C 13 16S 35E  Proposed Bottom Hole Location If Different From Surface  Ut. win to begin Township  Bage Loth Feetfounds North 660  Ut. win to begin Township  Bage Loth Feetfounds North 660  Ut. win to begin Township  Proposed Bottom Hole Location If Different From Surface  Ut. win to begin Township  Proposed Bottom Hole Location If Different From Surface  Ut. win to begin Seedson Township  Proposed Bottom Hole Location If Different From Surface  Ut. win to begin Seedson Township  Proposed Pool 1  North Shoe Bar (Strawn)  North Shoe Bar (Strawn)  Proposed Pool 1  North Shoe Bar (Strawn)  Proposed Depth "Well Type Code Proposed Depth Sacks of Cement Proposed Na 4/1/01  12,750 Myll Proposed Casting and Cement Program  Hole Size Casting Size Casting weightfloot  # 17-1/2" 13-3/8" 61 & 5.4. 4 405 425 Girc. 75 SX  # 12-1/4" 8-5/8" 32 & 24 4146 2380 Circ 200 SX  # 7-7/8" 5-1/2" 20 & 17 11.500 760 7770' TS  4-5/8" 4" FJ liner 11.6 11.330 100  "Dearth the proposed program, If this application is to DEEPEN or NUO BACK, give the data on the present productive zone and proposed new productive zone.  Describe the biovocus prevention program, if any. Use additional shoets if necessary.  * Existing Casing strings  See attached proposed procedure & existing well blore diagram  Permit Expires 1 Year From Approval Date University Date University District Williams  Permit Expires 1 Year From Approval Date University District Williams  Permit Expires 1 Year From Approval Date University District Williams  OIL CONSERVATION DIVISION  Approved by District Health Application Date:  Conditions of Approval Date Casting Casing Casting Casting Casting Casting Casting Casting Casting Casting Casting Casti	District IV 2040 South Pacheco, Santa Fe, NM 87505			San	ita Fe, NN	Fe, NM 87505			Lease - 5 Copies				
Permian Resources   Toc.   25797   Topper   Property Name   25797   Topper   Property Order   Property Order   Property Order   Property Order   Property Name   25793   Topper   Property Name   Property Nam	APPL	ICATIO	ON FOR	PERMIT 1	O DR	ILL, RE	-ENTER	, DEI	epen,	PLUGBACI	L K, OR		
P.O. Box 590, Midland, TX 79702  **Toporty Code				Operator Name an							OGRID	Number	
Proposely Code 2593 Hilburn Proposely Name 2 Well No. 2593										23	<sup>3</sup> APIN	lumber	
Proposed Pool   Proposed Poo			U, Mic	lland, TX	7970					30-025-2	9349	<del>,</del>	
Victor   Section   Township   Range   Lot   the   Feet from the   East   Country		y Code		₩ <b>41</b> h	en	<sup>3</sup> Propert	ty Name			1		°Well I	10.
U. or lot no.   Section   Township   Range   Let ich   Feet from the   North   1980   West   Lea				111104	<u> </u>	<sup>7</sup> Surface	e Locatio	n				<u> </u>	
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Ut or for no. Section Township Range D to tide Footform the North-South fine Footform the Best/Wart line Consety D 13 16S 35E 660 North 660 West Lea  "Proposed Pool 1  North Shoe Bar (Strawn)  "West Type Code (Strawn)  "Proposed Depth (Strawn)  "Proposed Depth (Strawn)  NA 4/1/01  12,750 MvD Proposed Casing and Cement Program  Hole Size Casing weight/bot Setting Depth Sacks of Cement Estimated TOC 4:17-1/2" 13-3/8" 61 & 54.4 405 425 Girc. 75 SX    ** 12-1/4" 8-5/8" 32 & 24 4146 2380 Circ 200 SX    ** 7-7/8" 5-1/2" 20 & 17 11.500 760 7770' TS					ottom ]						1,,,,,,		
D   13   16S   35E   660   North   660   West   Lea	UL or lot no.	Section	ì	1	1	1 ·		1		1	East/\	Vest line	County
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North Shoe Bar (Strawn)  "West Type Code De Well Type Code De R P 3967!  "Multiple Proposed Depth Formation Continuous NA 4/1/01  12,750 MTD Proposed Casing and Cement Program  Hole Size Casing Size Casing weight/foot Setting Depth Sacks of Cement Estimated TOC & 17-1/2" 13-3/8" 61 & 54.4 405 425 Circ. 75 SX & 12-1/4" 8-5/8" 32 & 24 4146 2380 Circ 200 SX & 7-7/8" 5-1/2" 20 & 17 11.500 760 7770' TS  "Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.  * Existing casing strings  See attached proposed procedure & existing wellbore diagram  Permit Expires 1 Year From Approval, Date Unless Drilling Underway  "I hereby certify that the information given above is true and complete to the best of ray knowledge and belief.  "I hereby certify that the information given above is true and complete to the best of ray knowledge and belief.  "I hereby certify that the information given above is true and complete to the best of ray knowledge and belief.  "I hereby certify that the information given above is true and complete to the best of ray knowledge and belief.  "I hereby certify that the information given above is true and complete to the best of ray knowledge and belief.  "I hereby certify that the information given above is true and complete to the best of District Superior District Superior District Superior Date:  Ontice Printed name: Robert H. Marshall  Title: President  Approved Describe the Proposed Date: Conditions of Approval:			<del></del>	<del></del>	<del></del> _	<del></del> 3				<del></del>	sed Pool	2	1-
"Work Type Code D O R P 3967' "Multiple N 11,370 TVD Strawn NA 4/1/01  12,750 MVD Proposed Depth 11,370 TVD Strawn NA 4/1/01  12,750 MVD Proposed Casing and Cement Program Hole Size Casing Size Casing weight/foot Setting Depth Sacks of Cement Estimated TOC  13-3/8" 13-3/8" 12-1/4" 13-3/8" 15-1/2" 13-3/8" 12-1/4" 15-1/2" 13-3/8" 15-1/2" 11,500 100 11,500 100 100 100 100 100 100 100 100 100	North	Shoe I		• "		At .			•	•			
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Hole Size Casing Size Casing weight/foot Setting Depth Sacks of Cement Estimated TOC  * 17-1/2" 13-3/8" 61 & 54.4 405 425 Girc. 75 SX  * 12-1/4" 8-5/8" 32 & 24 4146 2380 Circ 200 SX  * 7-7/8" 5-1/2" 20 & 17 11.500 760 7770! TS  4-5/8" 4" FJ liner 11.6 11.330 100  * Describe the proposed program. If this application is to DEEPFN or PLUG BACK, give the data on the present productive zone and proposed new productive zone.  Describe the blowout prevention program, if any. Use additional sheets if necessary.  * Existing casing strings  See attached proposed procedure & existing wellbore diagram  Permit Expires 1 Year From Approval Date Unless Drilling Underway  ** OIL CONSERVATION DIVISION CRIGINAL SIGNED BY CHAIS WILLIAMS. Signature:  Approved by: DISTRICT i SUPERVISOR  Printed name: Robert H. Marshall Title:  President  Date: Phone:  3-19-01  ** Approval Date Of Approval:  Conditions of Approval:  ** Conditions of A			12	,750 MVD I	ropose	ed Casing	and Cen	nent Pr	rogram				
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See attached proposed procedure & existing wellbore diagram  Permit Expires 1 Year From Approval Date Unless Drilling Underway  OIL CONSERVATION DIVISION my knowledge and belief Signature:  Printed name: Robert H. Marshall  Title:  Date:  Phone:  Conditions of Approval:  Conditions of Approval:  Title:  Conditions of Approval:													
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Permit Expires 1 Year From Approval Date Unless Drilling Underway  Date Unless Drilling Underway  OIL CONSERVATION DIVISION  my knowledge and belief Signature:  Approved by:  DISTRICT   SUPERVISOR  Printed name:  Robert H. Marshall  Title:  President  Date:  Phone:  Conditions of Approval:		•	Ŭ	J	ocedu	ra 5:03	victina	T70 1	Thoro	diaaram			1
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13 I hereby certify that the information given above is true and complete to the best of my knowledge and belief.  Signature:  Printed name: Robert H. Marshall  Title:  President  Date:  Phone:  Conditions of Approval:  Conditions of Approval:							P	ermit	Expi	res 1 Year	From	qerwa i Abbi	v.
my knowledge and belief  Signature:  Approved by:  DISTRICT   SUPERVISOR  Printed name: Robert H. Marshall  Title:  President  Date:  Phone:  Conditions of Approval:								Dat	ie Uni	less utiling	g 0111	GC1 34 C	ž.
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Printed name: Robert H. Marshall  Title:  Title: President Approval Date: Conditions of Approval:  3-19-01 (915) 685-0113	-	and Deliel	144	VIA 1	ul/	1	Appr		JhlaiN	DISTRICT I S	UPER	VISOR	Las Teneng
Title: President Approval Date Approval Date: Phone: Conditions of Approval:		Rob	ert H.	Marshall	<del>//</del>	<del></del>	, Title	·	<del></del>			<del></del>	` ` ` ` ` ` ` ` ` ` ` ` ` ` ` ` ` ` ` `
Date: Phone: Conditions of Approval:						<u> </u>	<del></del>		AAD	tanne a r	Expiration	on Date:	
3-19-01 (015) 695-0113			STUBLIC	Phone:				91	695 30 a.		<u> </u>		`
3-19-01 (913) 663-0113 Attached []	1	-19-01		1 4	(915)	685-01	12	_		ŧ			

District I
PO Box 1980, Hobbs, NM 38241-1980
District II
811 South First, Artesia, NM 38210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV

2040 South Pacheco, Santa Fe, NM 37505

# State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505 Form C-102 Revised October 18, 1994 Instructions on back

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

	W	ELL LOC	ATION	I AND ACR	EAGE DEDIC	CATION PL	AT			
API N	<del>Vumber</del> .9	- 1	Pool Code 6270		North		'Pool Name oébar (Strawn)			
* Property Code 25993		burn		<sup>5</sup> Property			* Well Number 2			
'OGRID No. 25797		mian Res		<sup>2</sup> Operator	Name		' Elevation 3967 '			
25797	Fer	iii aii ke:	our ces		Location			3307		
UL or lot no. Sec	Township	Range 35-E	Lot Idn	Feet from the	North/South line	Feet from the	East/West II	1 '	ounty Lea	
<u> </u>	, 110 3	1	m Hol		f Different Fro	L				
UL or lot no. Sec D 13	Township	Range	Lot Idn	Feet from the	North/South line North	Feet from the 660	East/West I	1 .	ounty .ea	
12 Dedicated Acres 13	j	Consolidation	Code 15 C	rder No.	<del></del>	<u> </u>	<u> </u>			
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Hil 1980'-F North Sh North Sho		ting Sur Hilbur NSL Ord ion FWL rawn	No.	2		Signature Rohe Printed Nan Pres Title 3-19 Date  18SURV I hereby cert was ploned; or under my correct to th Marc Date of Sur Signature an	rt H. Mane ident  O1  VEYOR (  iffy that the well from field notes supervision, are the best of my be the 19, 20  rey d Seal of Profe  Schuman	CERTIFUL CERTIFUL CERTIFUL CERTIFUL CERTIFUL CONTRACTOR STATE OF ACTUAL SUIT OF THE STATE OF THE	ICATION own on this plat rveys made by me time is true and	

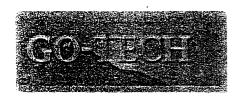
Submit 3 Copies To Appropriate District Office	State of New Me		1	Form C-103 Revised March 25, 1999
District I 1625 N. French Dr., Hobbs, NM 87240	Energy, Minerals and Natur	rai Resources	WELL API NO.	Revised Match 23, 1999
District II 811 South First, Artesia, NM 87210	OIL CONSERVATION	DIVISION	30=025	-29349
District III	2040 South Pach	ieco	5. Indicate Type of STATE	
1000 Rio Brazos Rd., Aztec, NM 87410 <u>District IV</u>	Santa Fe, NM 87	7505	6. State Oil & Ga	
2040 South Pacheco, Santa Fe, NM 87505		·		
SUNDRY NOTIC (DO NOT USE THIS FORM FOR PROPOSA DIFFERENT RESERVOIR. USE "APPLICA PROPOSALS.)		JG BACK TO A	7. Lease Name or Hilbur	Unit Agreement Name:
1. Type of Well: Oil Well 👿 Gas Well	Other			
2. Name of Operator	J Other		8. Well No.	
Permian Resources, In	ic		0.5	2
3. Address of Operator	1 70700		9. Pool name or W	
P.O. Box 590, Midlan 4. Well Location	nd, TX 79702		North Shoe	Bar (Strawn)
BHL		11	660 Ent 6 - 11	
Unit Letter D :	660 feet from the North	line and	660 feet from	the West line
Section 13	Township 168 Ra	inge 35F	NMPM LEA	County
	10. Elevation (Show whether Di		c.)	
11 Check A	3967 Opropriate Box to Indicate Na		Report or Other I	Data
NOTICE OF INT			SEQUENT REF	
PERFORM REMEDIAL WORK		REMEDIAL WOR		ALTERING CASING
TEMPORARILY ABANDON	CHANGE PLANS	COMMENCE DR	ILLING OPNS.	PLUG AND ABANDONMENT
PULL OR ALTER CASING	MULTIPLE COMPLETION	CASING TEST A CEMENT JOB	ND	
OTHER: Simultaneous Dec	dication 🖫	OTHER:		
<ol><li>Describe proposed or complete</li></ol>	d operations. (Clearly state all per SEE RULE 1103. For Multiple (			
Administrative approx	val is being requested	to simultar	neously dedica	te the proposed
directionally drilled	d deepening Hilburn #2	wellbore.		
Surface Location: 1	190' FNL & 1980' FWL (	C) Sec. 13,	T-16S, R-35E,	16a m 05m
	location: 660' FNL & #1 (1980' FNL & 660'			
	andard North Shoe Bar			
the $NW/4$ of Sec. 13,	T-16S, R-35E.		• •	
			\$	
			•	
	•			
4	· ·			
I hereby certify that the information	above is true and complete to the	best of my knowle	dge and belief.	
SIGNATURE / (LTT)	Thelel TITLE	President		DATE 3-20-01
Type or print name Robert	II Manaka 11		Talan	hone No. (015) (05 0115
(This space for State use)	H. Marshall		relep	hone No. (915) 685-0113
,		,		
APPPROVED BY Conditions of approval, if any:	TITLE	····	· · · · · · · · · · · · · · · · · · ·	_DATE

OIL (bbl/mon)

10000

10,00

DAVID H ARRINGTON OIL & GAS IN SHOE BAR STRAWN, NORTH Hist Oil Cum: 247.77 mbbl



GO-TECH HOME | PTTC | PRRC | NM-TECH | NMBMMR |

HOME | DATA | PRICES | EVENTS | NEWSLETTERS | INDUSTRY LINKS | SPONSORS | CONTACT US

General Well Search Instructions:

Wells By County You can preview the data or download them as

Excel .csv file .

Wells By Operator

Wells By Pool

Pool

Wells by Location

**NM Production Data** 

# download

Well Name MAYFLY 14 STATE COM Well Number 002

Operator DAVID H ARRINGTON OIL & GAS INC API 3002534630

SHOE BARISTRAWN NORTH Pool Status E

Township 16S Range 35E Section 14 Unit B Lease Type State

County Lea Well Bond Status Active

Accumulated Oil 247770(BBLS) Gas 475556(MCF) Water 0(BBLS) Days Produced 470 Year 1999

, 00!		117,011070014, 14	OMITTE	JI Status F		
Month	Oil (BBLS)	Accum. Oil (BBLS)	Gas (MCF)	Accum. Gas (MCF)	Water (BBLS)	Days Produced
January	0	0	0	0	0	0
February	0	0	0	0	0	0
March	0	0	0	0	0	0
April	0	0	0	0	0	0
May	0	0	0	0	0	0
June	0	0	۵	0	0	Q
July	0	0	0	0	0	0
August	0	0,	0	0	. 0	0
Septemb	er 4425	4425	6507	6507	0	12
October	25252	29677	41658	48165	0	31

November 17935	47612	273,75	75540	0	30	
December 18084	65696		102333	0	31	

Year 2000

Pool SHOE BAR; STRAWN, NORTH Pool Status F

Month	Oil (BBLS)	Accum. Oil (BBLS)	Gas (MCF)	Accum. Gas (MCF)	Water (BBLS)	Days Produced
January	16145	81841	25353	127686	0	31
February	12732	94573	34585	162271	0	29
March	16968	111541	26115	188386	0	31
April	14598	126139	24258	212644	0	30
May	15269	141408	29133	241777	0	31
June	15359	156767	30281	272058	0	30
July	16409	173176	35260	307318	0	31
August	16222	189398	35954	343272	0	31
Septembe	r 15212	204610	40033	383305	0	30
October	14892	219502	33869	417174	0	31
November	14276	233778	29540	446714	0	30
December	13992	247770	28842	475556	0	31

# PERMIAN RESOURCES, THO. LESS.

JUN 1 8 200

June 10, 2001

State of New Mexico
Energy and Minerals Division
Oil Conservation Division – District I Office
P. O. Box 1980
Hobbs, New Mexico 88241-1980

Via Hand Delivery

Attention: Mr. Gary Wink

Re: Withdraw Approved Application for Permit to Directionally Deepen

Hilburn No. 2

North Shoe Bar (Strawn) Field

### Gentlemen:

Please be advised that Permian Resources Inc. must withdraw our prior NMOCD Form C-101 dated March 19, 2001, as approved, providing for our proposed directional deepening of the **Hilburn No. 2** wellbore to test the Strawn formation from the *existing surface location* of 1,190' FNL and 1,980' FWL (Unit C), Section 13, T16S, R35E, Lea County, New Mexico to the *proposed bottom hole location* of 660' FNL and 660' FWL (Unit D), Section 13, T16S, R35E. It is with regret that Permian Resources Inc. must withdraw the approved permit. However, David Arrington Oil and Gas, Inc., a 4.5455% working interest owner in the Hilburn Lease and operator of the offsetting Mayfly "14" State Com. No. 2 producing horizontal Strawn well has objected to the proposed directionally deepening (see attached letter).

Please find attached three (3) copies of NMOCD Form C-103, "Sundry Notice", requesting that the above referenced approved NMOCD Form C-101 dated March 19, 2001 as to the referenced Hilburn No. 2 directional deepening be withdrawn.

In conjunction with the aforementioned, Permian Resources Inc. is submitting under a separate letter an NMOCD Form C-101 "Application For Permit To Drill" the proposed Hilburn No. 3 wellbore at surface location of 660' FNL and 510' FWL, Section 13, T16S, R35E, Lea County, New Mexico.

Permian Resources
Ex. No. \_\_\_\_\_
NMOCD Case No. 12663
June 14, 2001

State Of New Mexico – NMOCD Permian Resources, Inc. Hilburn No. 2 Withdraw Application to Drill Form C-101 June 10, 2001 – Page 2

Should you require any additional information please contact the undersigned at the letterhead address. As always, your early attention to this matter is greatly appreciated.

Very trudy yours,

Robert H. Marshall

ms/

Enclosures

Office		Form C-103 Revised March 25, 1999	
1625 N. French Dr., Hobbs, NM 87240	iciais and ivadural resource	WELL API NO.	
011 004411 1154 1 416514, 1111 07210		30-025-29349 5. Indicate Type of Lease	
1000 Die Deser Dd. Astes, NBA 97410		STATE FEE X	
District IV 2040 South Pacheco, Santa Fe, NM 87505	nta Fe, NM 87505	6. State Oil & Gas Lease No.	
SUNDRY NOTICES AND REPORT (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT	O DEEPEN OR PLUG BACK TO A	7. Lease Name or Unit Agreement Name:	
PROPOSALS.)  1. Type of Well:  Oil Well  Gas Well  Other	Energy, Minerals and Natural Resource meth Dr., Hobbs, NM 87240  First, Artesia, NM 87210  First, Artesia, NM 87210  Facheco, Santa Fe, NM 87410  SUNDRY NOTICES AND REPORTS ON WELLS USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A TI RESERVOR. USE 'APPLICATION FOR PERMIT' (FORM C-101) FOR SUCH USE'S OF OPERATOR  SUNDRY NOTICES AND REPORTS ON WELLS USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A TI RESERVOR. USE 'APPLICATION FOR PERMIT' (FORM C-101) FOR SUCH USE'S OF OPERATOR  AND THE SERVOR OF THE SUCH USE OF OPERATOR  BOY SOLD  TOWNShip 165 Range 35E  10. Elevation (Show whether DR, RKB, RT, of  11. Check Appropriate Box to Indicate Nature of No NOTICE OF INTENTION TO:  REMEDIAL WORK PLUG AND ABANDON REMEDIAL  RARILY ABANDON CHANGE PLANS  RALTER CASING MULTIPLE  COMPLETION  WITH CASING MULTIPLE  COMPLETION  WITH COMPLETION  WITH COMPLETION  WITH COMPLETION  WITH COMPLETION  TOWNSHIP TO PERMIT  COMPLETION  WITH COMPLETION  TOWNSHIP TOWNSHIP  CASHINGT  CEMENT  COMPLETION  TOWNSHIP  CASHINGT  CEMENT  COMPLETION  TOWNSHIP  CASHINGT  COMPLETION  WITH COMPLETION  TOWNSHIP  COMPLETION  WITH COMPLETION  TOWNSHIP  TITLE  Preside  Print name  Robert H. Marshall  acce for State use)  TITLE  TITLE		
2. Name of Operator		8. Well No.	
Permian Resources, Inc.		2	
3. Address of Operator P. O. Boy 590 Midland T	x 79702	9. Pool name or Wildcat  North Shoe Bar (Strawn)	ì
4. Well Location	19102	North Shoe Bar (Strawn)	,
Unit Letter C : 1,190 feet from	m the North line an	d 1,980 feet from the West line	
11. Chall Annuari to Day	A. I. I Nick CNI.	tion Person of the Pote	
		SUBSEQUENT REPORT OF:	
		CE DRILLING OPNS. PLUG AND ABANDONMENT	
	CASING TE		
OTHER: Withdraw Prior Permit	▼ OTHER:		
the referenced well and off Strawn well, Permian Resour for Permit" (Form C-101) da drill the Hilburn #2 wellbo	set owner of the ces, Inc. wishes ted 3/19/01 as a re to a BHL of 6	e Mayfly St. com. #2 a produci to withdraw our "Application approved 3/19/01 to directiona 60' FNL & 660' FWL, Section 1	ing n all
I hereby certify that the information above is true and	complete to the best of my ki	nowledge and belief.	
SIGNATURE MM MM	TITLE Presid		
Type or print name Robert H. Marsh	all	Telephone No. (915) 685-0	)11
(This space for State use)			
APPPROVED BY	TITLE	DATE	

# DAVID H. ARRINGTON DIL & GAS, INC.

P.O. BOX 2071, MIDLAND, TEXAS 79702 OFF (915) 682-6685 FAX (915) 682-4139

April 27, 2001

Via Certified Mail - Return Receipt Requested 7099 3220 0005 1183 7177

Via Facsimile (915) 685-3621

Permian Resources, Inc. Attn: Mr. Randy Stevens P.O. Box 590 Midland, Texas 79702-0590

Re: Hilburn #2

Section 13, T16S-R35E

Lea County, New Mexico

Proposal to deepen and drill harizont

Proposal to deepen and drill horizontally

Dear Mr. Stevens,

In response to your letter dated March 29, 2001, and received in our offices April 3, 2001, accept this letter as David H. Arrington Oil & Gas, Inc.'s response to your proposal on the above-captioned well.

ere ar name our da anne de

It is our position that Permian Resources has proposed a re-entry and deepening of a well that is already producing oil and gas in paying quantities in the Wolfcamp formation. As evidence, we would point to the fact that we have received joint interest billings and revenue each month since acquiring our interest in the lease.

As you referenced in your letter, this well is covered by a Joint Operating Agreement dated September 15, 1972 (JOA). We believe your proposal to re-enter this well is not allowed as per the JOA because it is producing in paying quantities. (Please refer to Article 12 on page 5 of said Operating Agreement.) You will see that your re-entry and deepening proposal is clearly not allowed without the consent of all parties. It is our position that your proposal is therefore not allowed under this Article in the Joint Operating Agreement. We do not concur with abandoning this zone.

Should it be your position that this well is not producing in paying quantities, please let us know immediately, and advise as to the information upon which you base that position.

Further, it is our understanding that the Hilburn #1 Strawn producer is in the Shoebar North Strawn Field which calls for 160 acre proration units, and the NW/4 is the spacing unit for the

Hilburn #1 well. It is our understanding that another new drill Strawn well would not be allowed in this NW/4 without changing these field rules.

In the event and only in the event that your proposal is ultimately deemed to be a valid proposal and ultimately allowed under the JOA, in order to preserve our rights, this letter shall serve or as our election to participate in same.

Finally, it is our firm position that this well continue to be produced as in the past, and if production has failed, that Permian Resources reestablish production immediately.

Your very truly,

David H. Arrington

# essipermian resources, that

June 10, 2001

State of New Mexico Energy and Minerals Division Oil Conservation Division – District I Office P. O. Box 1980 Hobbs, New Mexico 88241-1980

Via Hand Delivery

Attention: Mr. Gary Wink

Re: Withdraw Approved Application for Permit to Directionally Deepen

Hilburn No. 2

North Shoe Bar (Strawn) Field

### Gentlemen:

Please be advised that Permian Resources Inc. must withdraw our prior NMOCD Form C-101 dated March 19, 2001, as approved, providing for our proposed directional deepening of the **Hilburn No. 2** wellbore to test the Strawn formation from the *existing surface location* of 1,190' FNL and 1,980' FWL (Unit C), Section 13, T16S, R35E, Lea County, New Mexico to the *proposed bottom hole location* of 660' FNL and 660' FWL (Unit D), Section 13, T16S, R35E. It is with regret that Permian Resources Inc. must withdraw the approved permit. However, David Arrington Oil and Gas, Inc., a 4.5455% working interest owner in the Hilburn Lease and operator of the offsetting Mayfly "14" State Com. No. 2 producing horizontal Strawn well has objected to the proposed directionally deepening (see attached letter).

Please find attached three (3) copies of NMOCD Form C-103, "Sundry Notice", requesting that the above referenced approved NMOCD Form C-101 dated March 19, 2001 as to the referenced Hilburn No. 2 directional deepening be withdrawn.

In conjunction with the aforementioned, Permian Resources Inc. is submitting under a separate letter an NMOCD Form C-101 "Application For Permit To Drill" the proposed Hilburn No. 3 wellbore at surface location of 660' FNL and 510' FWL, Section 13, T16S, R35E, Lea County, New Mexico.

Permian Resources
Ex. No. \_\_\_\_\_
NMOCD Case No. 12663
June 14, 2001

P.O. BOX 590 • MIDLANI 608 NORTH MAIN • MIL PHONE (915) 685-0113 • FAX (915) 685-3621 State Of New Mexico – NMOCD Permian Resources, Inc. Hilburn No. 2 Withdraw Application to Drill Form C-101 June 10, 2001 – Page 2

Should you require any additional information please contact the undersigned at the letterhead address. As always, your early attention to this matter is greatly appreciated.

Very truly yours,

Robert H. Marshall

ms/

Enclosures

Submit 3 Copies To Appropriate District Office	State of New Mer		**	Form C Revised March 25	
Energy, Minerals and Natural Resources  625 N. French Dr., Hobbs, NM 87240			WELL API NO.		
<u>District II</u> 811 South First, Artesia, NM 37210	OIL CONSERVATION DIVISION		30-025-29349 5. Indicate Type of Lease		
District III 2040 South Pacheco		STATE FEE X		}	
000 Rio Brazos Rd., Aztec, NM 87410 Santa Fe, NM 87505		6. State Oil & Ga			
2040 South Pacheco, Santa Fe, NM 87505				15 15 case 1 vo.	
SUNDRY NOTICES AND REPORTS ON WELLS  (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)			7. Lease Name or Unit Agreement Name:		
1. Type of Well: Oil Well  Gas Well  Other			Hilburn		
2. Name of Operator			8. Well No.	·	
Permian Resources, Inc.			2		
3. Address of Operator			9. Pool name or Wildcat		
P. O. Box 590, Midland, TX 79702			North Shoe Bar (Strawn)		
4. Well Location  Unit Letter C: 1,190 feet from the North line and 1,980 feet from the West line					
Section 13 Township 16S Range 35E NMPM Lea County  10. Elevation (Show whether DR, RKB, RT, GR, etc.)					
11. Check Ap	propriate Box to Indicate Na	ature of Notice, l	Report or Other I	Data	
NOTICE OF INTENTION TO:  PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐ REMEDIAL WOR			SEQUENT REF	PORT OF: ALTERING CASI	NG 🗆
TEMPORARILY ABANDON			LLING OPNS.	PLUG AND ABANDONMENT	. $\square$
PULL OR ALTER CASING	MULTIPLE COMPLETION	CASING TEST AN CEMENT JOB	ND		
OTHER: Withdraw Price		OTHER:			
12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.					
Due to objection of David Arrington Oil & Gas, Inc, a 4.5455% WI Owner in the referenced well and offset owner of the Mayfly St. com. #2 a producing Strawn well, Permian Resources, Inc. wishes to withdraw our "Application for Permit" (Form C-101) dated 3/19/01 as approved 3/19/01 to directionally drill the Hilburn #2 wellbore to a BHL of 660' FNL & 660' FWL, Section 13, T16S, R35E to encounter and produce the Strawn interval.					
	4	,			
I hereby certify that the information above is true and complete to the best of my knowledge and belief.					
SIGNATURE / M	/WWW TITLE	President		DATE_June	
Type or print name Robert	H. Marshall		Teler	phone No. 915)	685-0113
(This space for State use)			I GIO	MIMIC 140.	, in the state of
APPPROVED BY Conditions of approval, if any:	TITLE			DATE	

#### DAVID H. ARRINGTON DIL & GAS, INC.

#### P.O. BOX 2071 , MIDLAND, TEXAS 79702 OFF (915) 682-6685 FAX (915) 682-4139

April 27, 2001

Permian Resources, Inc. Attn: Mr. Randy Stevens P.O. Box 590 Midland, Texas 79702-0590

Re: Hilburn #2

Section 13, T16S-R35E Lea County, New Mexico Proposal to deepen and drill horizontally

Dear Mr. Stevens.

In response to your letter dated March 29, 2001, and received in our offices April 3, 2001, accept this letter as David H. Arrington Oil & Gas, Inc.'s response to your proposal on the above-captioned well.

It is our position that Permian Resources has proposed a re-entry and deepening of a well that is already producing oil and gas in paying quantities in the Wolfcamp formation. As evidence, we would point to the fact that we have received joint interest billings and revenue each month since acquiring our interest in the lease.

As you referenced in your letter, this well is covered by a Joint Operating Agreement dated September 15, 1972 (JOA). We believe your proposal to re-enter this well is not allowed as per the JOA because it is producing in paying quantities. (Please refer to Article 12 on page 5 of said Operating Agreement.) You will see that your re-entry and deepening proposal is clearly not allowed without the consent of all parties. It is our position that your proposal is therefore not allowed under this Article in the Joint Operating Agreement. We do not concur with abandoning this zone.

Should it be your position that this well is not producing in paying quantities, please let us know immediately, and advise as to the information upon which you base that position.

Further, it is our understanding that the Hilburn #1 Strawn producer is in the Shoebar North Strawn Field which calls for 160 acre proration units, and the NW/4 is the spacing unit for the

Hilburn #1 well. It is our understanding that another new drill Strawn well would not be allowed in this NW/4 without changing these field rules.

In the event and only in the event that your proposal is ultimately deemed to be a valid proposal and ultimately allowed under the JOA, in order to preserve our rights, this letter shall serve or as our election to participate in same.

Finally, it is our firm position that this well continue to be produced as in the past, and if production has failed, that Permian Resources reestablish production immediately.

Your very truly,

David H. Arrington

### MPERMIAN RESOURCES, TRO.

June 11, 2001

David Arrington Oil & Gas, Inc. P. O. Box 2071 Midland, TX 79702

Via Facsimile (915) 682-4139

Re: Arrington Mayfly "14" State Com. No. 7

North Shoe Bar (Strawn) Pool

Unorthodox Non-Standard Well Location

330' FNL & 330' FEL

Section 14, T16S, R35E, Lea County, NM

#### Gentlemen:

Permian Resources Inc., as operator of the offsetting Hilburn Lease (NW/4 Section 13, T16S, R35E), hereby agrees to provide a waiver to the proposed plugging back of the Mayfly "14" State Com. No. 7 to the Strawn formation at the unorthodox well location of 330' FNL & 330' FEL, Section 14, T16S, R35E as set before the State of New Mexico Oil Conversation Commission for hearing June 14, 2001 (Case # 12663) for the following consideration:

- The Arrington Mayfly "14" State Com. No. 7 will be subject to a production penalty of 50 percent (50%) by virtue of that certain letter dated December 15, 1999 between Yates and Arrington as to the North Shoe Bar (Strawn) interval.
- Arrington will timely execute a waiver in favor of Permian Resources Inc.'s proposal to drill and complete a **Hilburn No. 3** well to test the Wolfcamp and Strawn formation at a <u>proposed non-standard surface location</u> of 660' FNL and 330' FWL (Unit D), Section 13, T16S, R35E, Lea County, New Mexico. Permian Resources Inc. proposes that the Hilburn No. 3 be drilled vertically from the aforementioned surface location to test, log and evaluate the Strawn formation. Based upon favorable tests results, production casing will be run and cemented and the wellbore will then be "kicked-off" and drilled horizontally within the Strawn formation porosity towards an ultimate <u>proposed bottom hole</u>

Permian Resources
Ex. No. 

NMOCD Case No. 12663

NMOCD Case No. 12663 June 14, 2001

P.O. BOX 590 • MIDLAND 608 NORTH MAIN • MIDL PHONE (915) 685-0113 • Arrington - Mayfly "14" State Com. No. 7 Unorthodox Well Location June 11, 2001 - Page No. 2

<u>location</u> of 1,980' FNL and 1,980' FWL, Section 13, T16S, R35E. Such waiver would provide for <u>no</u> production penalty to be assessed the proposed Hilburn No. 3 well as to the Strawn or Wolfcamp intervals. The Hilburn No. 3 well would be simultaneously dedicated with the Hilburn No. 1 and / or Hilburn No. 2 wells to the 160 acre NW/4 Section 13, T16S, R35E, Lea County, New Mexico North Shoe Bar (Strawn) and North Shoe Bar (Wolfcamp) proration units.

If these terms are acceptable, please so indicate by signing below and returning one copy of this letter to the undersigned. Due to the imposing June 14, 2001 hearing date associated with the referenced unorthodox location our offer will be open and valid until June 11, 2001 at 5:00 P.M. CST.

Should you have any questions concerning this matter, please contact me.

Very truly yours,
Robert H. Marshall
ms/
Agreed and accepted this 11th day of June, 2001
David Arrington Oil & Gas, Inc.
By:
Name:
Title:

# PERMIAN RESOURCES, TING. BUSINESS DILLBAKER YR TO: ANID ARRINGTON OF G COMPANY: 682-4139 FAX#: NO. COPIES (INCLUDING COVER): \_\_3 6/11/01 DATE: FROM: **TELEPHONE:** 915-685-0113 FAX: 915-685-3621 P. O. BOX 590 ADDRESS: MIDLAND, TEXAS 79702

**MESSAGES:** 

### iziben permian resources, tichen

June 11, 2001

David Arrington Oil & Gas, Inc. P. O. Box 2071 Midland, TX 79702

Via Facsimile (915) 682-4139

Re: Arrington Mayfly "14" State Com. No. 7 North Shoe Bar (Strawn) Pool

Unorthodox Non-Standard Well Location

330' FNL & 330' FEL

Section 14, T16S, R35E, Lea County, NM

#### Gentlemen:

Permian Resources Inc., as operator of the offsetting Hilburn Lease (NW/4 Section 13, T16S, R35E), hereby agrees to provide a waiver to the proposed plugging back of the Mayfly "14" State Com. No. 7 to the Strawn formation at the unorthodox well location of 330' FNL & 330' FEL, Section 14, T16S, R35E as set before the State of New Mexico Oil Conversation Commission for hearing June 14, 2001 (Case # 12663) for the following consideration:

- The Arrington Mayfly "14" State Com. No. 7 will be subject to a production penalty of 50 percent (50%) by virtue of that certain letter dated December 15, 1999 between Yates and Arrington as to the North Shoe Bar (Strawn) interval.
- Arrington will timely execute a waiver in favor of Permian Resources Inc.'s proposal to drill and complete a **Hilburn No. 3** well to test the Wolfcamp and Strawn formation at a <u>proposed non-standard surface location</u> of 660' FNL and 330' FWL (Unit D), Section 13, T16S, R35E, Lea County, New Mexico. Permian Resources Inc. proposes that the Hilburn No. 3 be drilled vertically from the aforementioned surface location to test, log and evaluate the Strawn formation. Based upon favorable tests results, production casing will be run and cemented and the wellbore will then be "kicked-off" and drilled horizontally within the Strawn formation porosity towards an ultimate proposed bottom hole

Permian Resources

Ex. No. \_\_\_\_\_\_

NMOCD Case No. 12663

June 14, 2001

P.O. BOX 590 • MIDLAND 608 NORTH MAIN • MIDL PHONE (915) 685-0113 • Arrington - Mayfly "14" State Com. No. 7 Unorthodox Well Location June 11, 2001 - Page No. 2

<u>location</u> of 1,980' FNL and 1,980' FWL, Section 13, T16S, R35E. Such waiver would provide for <u>no</u> production penalty to be assessed the proposed Hilburn No. 3 well as to the Strawn or Wolfcamp intervals. The Hilburn No. 3 well would be simultaneously dedicated with the Hilburn No. 1 and / or Hilburn No. 2 wells to the 160 acre NW/4 Section 13, T16S, R35E, Lea County, New Mexico North Shoe Bar (Strawn) and North Shoe Bar (Wolfcamp) proration units.

If these terms are acceptable, please so indicate by signing below and returning one copy of this letter to the undersigned. Due to the imposing June 14, 2001 hearing date associated with the referenced unorthodox location our offer will be open and valid until June 11, 2001 at 5:00 P.M. CST.

Should you have any questions concerning this matter, please contact me.

	very truty yours,
•	Robert H. Marshall
	ms/
	Agreed and accepted this 11 <sup>th</sup> day of June, 2001
	David Arrington Oil & Gas, Inc.
	By:
	Name:
	Title:

tendede permia	n resources, the line in
<i>TO:</i>	BILLBAKER VR
COMPANY;	SAVID ARRINGTON 09 G
FAX#:	<u>682-4139</u>
NO. COPIES (INCLUD	ING COVER): 3
DATE:	b/11/01
FROM:	Jos Marshau
TELEPHONE: FAX:	915-685-0113 915-685-3621
ADDRESS:	P. O. BOX 590 MIDLAND, TEXAS 79702
MESSAGES:	

#### DAVID H. ARRINGTON OIL & GAS, INC.

F.O. BOX 2071, MIDLAND, TEXAS 79702 OFF (915) 682-6685 FAX (915) 682-4139

June 12, 2001

Permian Resources, Inc. P.O. Box 590 Midland, Texas 79702-0590

Via Facsimile (915) 685-3621

Re: Arrington Oil & Gas Mayfly "14" State Com. #7
North Shoe Bar (Strawn) Pool
Unorthodox Non-Standard Well Location
330' FNL & 330' FEL
Section 14, T16S, R35E, Lea County, New Mexico

#### Gentlemen:

In response to your letter dated June 11, 2001, pertaining to a waiver request by David H. Arrington Oil & Gas, Inc. to plug back the Mayfly "14" State Com. # 7 to the Strawn formation at the unorthodox well location of 330' FNL & 330' FEL, Section 14, T16S, R35E as set before the State of New Mexico Oil Conservation Commission for hearing June 14, 2001 (Case # 12663) offers for your consideration:

- The Arrington Mayfly "14" State Com. # 7 will be subject to a production Penalty of 50 percent (50%) by virtue of that certain letter dated December 15, 1999 between Yates and Arrington as to the North Shoe Bar (Strawn) Interval.
- Arrington will execute a waiver in favor of Permian Resources Inc.'s Proposal to drill and complete a Hilburn No. 3 well to test the Wolfcamp and Strawn formation at a proposed non-standard surface location of 660' FNL and 330' FWL (Unit D), Section 13, T16S, R35E, Lea County, New Mexico. Permian Resources Inc. proposes that the Hilburn #3 be drilled vertically from the aforementioned surface location to test, log and evaluate the Strawn formation. Based upon favorable tests results, production casing will be run and cemented and the wellbore will be drilled horizontally within the Strawn formation towards an ultimate proposed bottom hole location of 1980' FNL and 1980' FWL, Section 13, T16S, R35E. Such

Permian Resources
Ex. No. \_\_\_\_\_
NMOCD Case No. 12663
June 14, 2001

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waiver would provide for a production penalty of 50 percent (50%) to be assessed to the Hilburn #3 well as to the Strawn or Wolfcamp intervals. The Hilburn #3 well would be simultaneously dedicated with the Hilburn #1 and / or Hilburn #2 wells to the 160 acre NW/4 Section 13, T16S, R35E, Lea County, New Mexico North Shoe Bar (Strawn) and North Shoe Bar (Wolfcamp) proration units.

If these terms are acceptable, please so indicate by signing below and returning one copy of this letter to the undersigned. This offer will be open and valid until June 13, 2001 at 5:00 P.M. CST.

Sincerely,
Ruf.
Bill Baker Jr.
Exploration Manager
Agreed and accepted this day of June, 2001
Permain Resources, Inc.
Ву:
Name:
Title:

# David H. Arrington Oil & Gas, Inc.

214 W. Texas, Suite 400, Midland, Texas 79701 915-682-6665 915-682-4139 Pax



Re:		CC:	
Phone:	682-6685	Date:	6-12-01
Faxc	685-3621	Pages:	3
To: M	like Stewart	From:	Bu Baker

#### DAVID H. ARRINGTON OIL & GAS, INC.

P.O. BOX 2071, MIDLAND, TEXAS 79702 OFF (915) 682-6685 FAX (915) 682-4139

June 12, 2001

Permian Resources, Inc. P.O. Box 590 Midland, Texas 79702-0590

Via Facsimile (915) 685-3621

Re: Arrington Oil & Gas Mayfly "14" State Com. #7
North Shoe Bar (Strawn) Pool
Unorthodox Non-Standard Well Location
330' FNL & 330' FEL
Section 14, T16S, R35E, Lea County, New Mexico

#### Gentlemen:

In response to your letter dated June 11, 2001, pertaining to a waiver request by David H. Arrington Oil & Gas, Inc. to plug back the Mayfly "14" State Com. # 7 to the Strawn formation at the unorthodox well location of 330' FNL & 330' FEL, Section 14, T16S, R35E as set before the State of New Mexico Oil Conservation Commission for hearing June 14, 2001 (Case # 12663) offers for your consideration:

- The Arrington Mayfly "14" State Com. # 7 will be subject to a production Penalty of 50 percent (50%) by virtue of that certain letter dated December 15, 1999 between Yates and Arrington as to the North Shoe Bar (Strawn) Interval.
- Arrington will execute a waiver in favor of Permian Resources Inc.'s Proposal to drill and complete a Hilburn No. 3 well to test the Wolfcamp and Strawn formation at a proposed non-standard surface location of 660' FNL and 330' FWL (Unit D), Section 13, T16S, R35E, Lea County, New Mexico. Permian Resources Inc. proposes that the Hilburn #3 be drilled vertically from the aforementioned surface location to test, log and evaluate the Strawn formation. Based upon favorable tests results, production casing will be run and cemented and the wellbore will be drilled horizontally within the Strawn formation towards an ultimate proposed bottom hole location of 1980' FNL and 1980' FWL, Section 13, T16S, R35E. Such

Permian Resources

Ex. No. \_\_\_\_\_

NMOCD Case No. 12663

June 14, 2001

waiver would provide for a production penalty of 50 percent (50%) to be assessed to the Hilburn #3 well as to the Strawn or Wolfcamp intervals. The Hilburn #3 well would be simultaneously dedicated with the Hilburn #1 and / or Hilburn #2 wells to the 160 acre NW/4 Section 13, T16S, R35E, Lea County, New Mexico Norht Shoe Bar (Strawn) and North Shoe Bar (Wolfcamp) proration units.

If these terms are acceptable, please so indicate by signing below and returning one copy of this letter to the undersigned. This offer will be open and valid until June 13, 2001 at 5:00 P.M. CST.

Bill Baker Jr. Exploration Manager	3
Agreed and accepted this _	day of June, 2001
Permain Resources, Inc.	
Ву:	
Name:	
Title:	

Sincerely,

# David H. Arrington Oil & Gas, Inc. -244W/Texas, Spine,4007, Middand Texas, 797017 915-632-6665 915-652-4139-Fax



Re:	·	cc		
Phone:	L82-4685	Date:	6-18-01	
Fax:	685-3621	Pagesi	3	
To: M	ike Stewart	From:	Bu Baker	·

### PERMIAN RESOURCES, TRO. LESSES

June 11, 2001

David H. Arrington Oil & Gas, Inc. P.O. Box 2071 Midland, Texas 79702



RE: <u>HILBURN NO. 3</u>

T-16-S, R-35-E, NMPM

Section 13: NE/4

Lea county, New Mexico

Dear Sirs:

Delivered this date to you is a proposal to drill the referenced well. By virtue of the Joint Operating Agreement dated September 15, 1972 under the subsequent operations section you have 30 days to respond to the proposal.

Since this proposal is hand delivered instead of sent certified mail we ask that you acknowledge the receipt of this proposal by executing the enclosed Acknowledgement of Receipt of Delivery so we can tract the time deadline as outlined in the Joint Operating Agreement.

If you should have any questions please let me know.

Melol

Sincerely

Robert H. Marshall

Permian Resources
Ex. No. \_\_\_\_\_
NMOCD Case No. 12663
June 14, 2001

# 

### Acknowledgement of Receipt of Delivery

This document shall serve as	acknowledgement that		
	Ū	(individu	ıal)
received on behalf of <b>David</b>	Arrington Oil & Gas, (company)	Inc., whose ad	dress is
P. O. Box 2071	, <u>Midland</u>	, <u>Texas</u> ,	79702
(address)	(city)	(state)	(zip)
the following documents via	hand delivery:		
Hilburn No. 3 Author	rity for Expenditure (AF	E) and transmit	tal letter.
Date of Delivery:			
Received By:			

### PERMIAN RESOURCES, TINC. BEING

June 10, 2001

David Arrington Oil & Gas, Inc. P. O. Box 2071 Midland, TX 79702

Via Hand Delivery

Re:

Proposal to Drill Hilburn No. 3

Section 13, T16S, R35E, Lea County, NM

#### Gentlemen:

By prior letter dated March 29, 2001, Permian Resources, Inc, as operator of the Hilburn Lease (NW/4 Section 13, T16S, R35E), proposed the directional deepening of the existing Hilburn No. 2 vertical wellbore from the surface location of 1,190' FNL and 1,980' FWL to the proposed bottom hole location of 660' FNL and 660' FWL to test the North Shoe Bar (Strawn) interval. By virtue of the attached letter dated April 27, 2001, David Arrington Oil & Gas, Inc., a 4.5455% working interest owner in the Hilburn Lease, objected to the re-entry proposal which required the temporary abandonment of the Wolfcamp interval which produces approximately 6 BOPD, 15 MCFPD and 4 BWPD in favor of testing the potentially prolific Strawn interval at the proposed bottom hole location.

Consequently, Permian Resources Inc., hereby withdrawals our March 29, 2001 proposal and now proposes the drilling of the **Hilburn No. 3** wellbore to test the Strawn formation from the *proposed standard surface location* of 660' FNL and 510' FWL (Unit D), Section 13, T16S, R35E, Lea County, New Mexico. As detailed in the attached abbreviated procedure, Permian Resources Inc. proposes that the Hilburn No. 3 be drilled vertically from the aforementioned surface location to test, log and evaluate the Strawn formation. Based upon favorable tests results, production casing will be run and cemented and the wellbore will then be "kicked-off" and drilled horizontally within the Strawn formation porosity towards an ultimate *proposed bottom hole location* of 1,980' FNL and 1,980' FWL, Section 13, T16S, R35E.

The proposed drilling of the Hilburn No. 3 and completion attempt is necessary to protect the correlative rights of the mineral and leasehold owners of the NW/4 Section 13, T16S, R35E, from the potential drainage as incurred by the offsetting David Arrington Oil &

Hilburn No. 3 - Proposal to Drill June 10, 2001 - Page No. 2

Gas, Inc. – Mayfly "14" State Com. No. 2 well. The Mayfly "14" State Com. No. 2 was drilled as a ±1,214' horizontal Strawn completion from a surface location of 660' FNL and 2060' FEL to a reported bottom hole location of 715' FNL and 788' FEL in the <u>adjacent</u> Section 14, T16S, R35E. The Mayfly "14" State Com. No. 2 was completed in September, 1999 and through February, 2001 has produced a cumulative 272,811 BO and 526,655 MCF from the Strawn interval (copy of tabular production attached). The well continues to flow in excess of 400 BOPD and 850 MCFPD.

In addition to the currently producing Mayfly "14" State Com. No. 2 completion, Arrington has also proposed plugging back to the Strawn interval in the Mayfly "14" State Com. No. 7 well which was drilled to test the Austin (Morrow) sand at an "unorthodox non-standard" surface location of 330' FNL and 330' FEL in Section 14, T16S, R35E. While Permian Resources Inc. will be protesting the proposed plug back of the Mayfly "14" State Com. No. 7 on behalf of the mineral and leasehold owners of the NW/4 Section 13, it is imperative that a well be drilled to produce any reserves associated with the Strawn algal mound porosity pod that may exist in the NW/4 NW/4 of Section 13.

For your review and approval, please find two (2) copies of an "Authority For Expenditure" (AFE) providing for the drilling and completion of the Hilburn No. 3 well. Please note that the AFE has been prepared assuming that the wellbore will be drilled horizontally some 1,900' and beam pumping equipment will be required. Actual costs could be less than those detailed should the horizontal section be shortened and artificial lift equipment not be required.

Please return one copy of the enclosed AFE along with a copy of this letter executed on your behalf so that operations may begin as early as possible. I would reference the supporting documents forwarded with our prior March 29, 2001 proposal in addition to the various attached information for your expedient review of the proposal. Pursuant to the Joint Operating Agreement dated September 15, 1972, you have 30 days upon receipt of this letter to make an election.

Should you have any questions concerning this matter, please contact me at the letterhead address.

Very truly yours,

Robert H. Marshall

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Enclosures

Hilburn No. 3 - Proposal to Drill June 10, 2001 - Page No. 3							
	Elect to Join						
	Elect not to Join						
David Arrington Oil & Gas, Inc. 4.5455% Working Interest							
Ву:							
Name:							
Title:							

### PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	HILBURN HOR	IZONTAL I	NFILL			Well No.:	3	Field: SH	DE BAR, NORTH (STRA	WN)
Well Location:	660' FNL & 510'	FWL; BHL	1980' FNL &	1980' FWI	<u> </u>	Legal: S	ECTION 1:	3, T16S, R35E		
County:	LEA			State:	NM	Prop Depth	: .	11,500 feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	AL, KO HO	RIZONTAL,	COMPLET	E AND EQUI	P 11,500' STR	AWN PUN	APING OIL WELL, MI	13,200'	
			. TECONY					DOTAL A MOORE	COLUMN TOTAL	
<del></del>			CATEGORY					DRILL & TEST	COMPLETION	TOTAL
	ton, pits & survey		\$25,000	Damages	\$5,000			\$30,000		\$30,000
Contract Drig - N Contract Drig - I		34.0	days @	\$12,000	/day			\$30,000 \$408,000		\$30,000 \$408,000
Contract Drig - I Contract Drig - I	Day work		days @ _	\$12,000	/day /foot		•	\$0	\$156,000	\$156,000 \$0
Bits	\$42,300	Water	-		- /1001			\$51,000 \$41,451	\$26,500 \$15,849	\$77,500
Fuel & Power Completion Rig	6	days @	\$15,000 \$2,100		#20 000				\$12,600	\$57,300 \$12,600
Cement Surface Cement Producti	ion	\$20,000	it Intermediate	;	\$20,000		•	\$25,500	\$20,000	\$25,500 \$20,000
Casing Tools and P & A								\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hole Logg Mud Logging	ring \$15,000	Coring						\$18,000 \$15,000		\$18,000 \$15,000
Cased Hole Log		pen-hole co	moletion				•			\$8,000 \$0
DST/Testing Stimulation - Ac		\$15,000	-	n - Fractur	a.	\$0		\$8,000	\$15,000	\$8,000 \$15,000
Special Services	ī	Directional S	Services, Moto ad, Gas Sep., I	rs, MWD	٠ .	, ,		\$7.500	\$75,500	\$75,500
Rentals - Surface Rentals - BHA E	Equipment 1	Whipstock, I	Pkrs., X-overs	, Valves		*		\$7,500 \$2,500	\$2,500 \$18,500	\$10,000 \$21,000
Rentals - Miscellaneous R		\$21,000 Frac Tanks	Tubing _		BOP/CK	\$3,500		\$1,500	\$24,500 \$5,000	\$24,500 \$6,500
Mud & Chemica Rig Supervision		/day	34	Drill	19	Complete		\$20,000 \$17,000	\$15,000 \$9,500	\$35,000 \$26,500
Trucking Insurance		•				•		\$2,000 \$9,500	\$2,500	\$4,500 \$9,500
Overhead	\$250.00 - Intangible Installat		34	Drill	19	Complete		\$8,500 \$2,500	\$4,750 \$4,500	\$13,250 \$7,000
Lease Equipmen	ıt - Intangible Installat	tion	- <i>6'</i> T-4-1						\$7,500	\$7,500
Contingencies (	-	10.0%	of Total					\$71,100	\$43,100	\$114,200
TOTAL INTA	NGIBLES							\$782,551	\$473,799	\$1,256,350
TANGIBLES: Well Equipment	t - Non Controllable									
Surface Casing 450 ft	•	OD,	48	#/ft, @	\$18.00	/ foot		\$8,100		\$8,100
Intermediate Ca 4,200 ft	sing -	OD,	24 & 32	#/ft, @	\$11,50			\$48,300		\$48,300
Producting Casi	ng -	,		, •				340,000	E102 C00	
11,400 ft		OD,	17 & 20	#/ft, @	\$9.00				\$102,600	\$102,600
300 ft Tubing -		OD,	12.9	#/ft, @	\$6.50				\$1,950	\$1,950
11,400 ft Rods -	of <u>2-7/8"</u>	OD,	N-80 6.5	#/ft, @	\$3.85	/ foot			\$43,890	\$43,890
6,600 ft 4,400 ft	of 1.2" FG of 7/8" & 1.5"	OD, OD,	-		\$3,00 \$2,00				\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit / Subsurface Pum	Motor	API Size	640 Used		Motor HP	50			\$45,000 \$5,000	\$45,000 \$5,000
Other Control S Wellhead Equip	ubsurface	\$5,000	Tbg Head	\$10,000	Valves	\$4,500		\$5,000	\$2,500 \$14,500	\$2,500 \$19,500
Lease Equipmen	nt - Non Controllable		\$3,000	Dehyd		#1,500			\$1,500 \$5,500	\$1,500 \$5,500
Separators Flowlines	\$2,500 1,500	Treaters ft of	3" Steel	OD, @		/ foot			\$5,250	\$5,250
Tanks Sales Equipmen	nt/Meter Runs, etc.		2 - 500 Bbl (	Manks U	sed				\$8,000 \$5,000	\$8,000 \$5,000
Compressors Pumps										
Electrical Syste Fittings	ms	3 Poles, slac	ck span, meter	loop					\$3,500 \$4,500	\$3,500 \$4,500
	Lease Equipment		POC						\$3,500	\$3,500
TOTAL TANG	GIBLES							\$61,400	\$280,790	\$342,190
TOTAL WELL C	OST COMPLETED	•						5843,951	\$754,589	\$1,598,540
REMARKS:	See Attached Dr	rilling Progn	osis For Detai	ls						
	Drill 17-1/2" su:	rface hole to	450' and set	3-3/8" cast				,200' and set 8-5/8" cas /2" casing at 11,400'. I		
	Drill to TVD 11	,360', MD 1	3,200' to appr	oximate BI	11 S80 FNL	& 1980' FWL.	Run 4" FJ	liner, acidize and equip	w/ BPU.	
Prepared By:	M. Stewart		Initials:		(X_		Title:	Engineer	Date:	06/11/01
Approval	75	. 000	-						<b>.</b> .	
Company:	David Arringto		_ By:				Title:		Date:	
Share %:	4.5455%		_		Net S Amor	unt:		\$72,662		

### PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	HILBURN HORIZONTAL	INFILL	Well No.:	3	Field: SH	OE BAR, NORTH (STRA)	WN)
Well Location:	660' FNL & 510' FWL; BH	L 1980' FNL & 1980' I	FWL Legal:	SECTION 13	, T16S, R35E		
County:	LEA	Sta	ite: NM Prop Dept	th:	11,500 fee	t AFE No.:	
Obj./ Form.	DRILL VERTICAL, KO H	ORIZONTAL, COMP	LETE AND EQUIP 11,500' ST	: RAWN PUM	IPING OIL WELL, M	D 13,200'	
							···
		CATEGORY		=	DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES: Build roads, locato	on nits & survey	\$25,000 Dam	ages \$5,000		\$30,000		\$30,000
Contract Drlg - Mo Contract Drlg - Da	obilization	•	000 /day	-	\$30,000 \$408,000		\$30,000 \$408,000
Contract Drlg - Da	y work 13.0	days @ \$12,0	/day /foot	-		\$156,000	\$156,000
Contract Drlg - For Bits	-	feet @	JOOT	-	\$0 \$51,000	\$26,500	\$0 \$77,500
Fuel & Power Completion Rig	6 days @	\$15,000 \$2,100 /day		-	\$41,451	\$15,849 \$12,600	\$57,300 \$12,600
Cement Surface Cement Production		ent Intermediate	\$20,000	_	\$25,500	\$20,000	\$25,500 \$20,000
Casing Tools and ( P & A		-		-	\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hole Loggin Mud Logging	s15,000 Coring	•		-	\$18,000 \$15,000		\$18,000 \$15,000
Cased Hole Loggin				_		\$8,000 \$0	\$8,000
DST/Testing Stimulation - Acid	-	-	cture \$0	_	\$8,000	<del></del>	\$8,000 \$15,000
Special Services	Directional	Services, Motors, MV	VD	-		\$15,000 \$75,500	\$75,500
Rentals - Surface Rentals - BHA Eq	uipment Whipstock,	ead, Gas Sep., Housing Pkrs., X-overs, Valve	s	-	\$7,500 \$2,500	\$2,500 \$18,500	\$10,000 \$21,000
Rentals - Miscellaneous Rer	Drill Pipe \$21,000 ntals Frac Tanks		BOP/CK \$3,500	_	\$1,500	\$24,500 \$5,000	\$24,500 \$6,500
Mud & Chemicals Rig Supervision	\$500.00 /day	34 Drill	19 Complete	-	\$20,000 \$17,000	\$15,000 \$9,500	\$35,000 \$26,500
Trucking Insurance				-	\$2,000 \$9,500	\$2,500	\$4,500 \$9,500
Overhead	\$250.00 /day Intangible Installation	34 Drill	19 Complete	-	\$8,500	\$4,750 \$4,500	\$13,250
Lease Equipment -	- Intangible Installation	( CT-t-1		-	\$2,500	\$7,500	\$7,000 \$7,500
Contingencies @		6 of Total		-	\$71,100	\$43,100	\$114,200
TOTAL INTANG	GIBLES			2	\$782,551	\$473,799	\$1,256,350
TANGIBLES: Well Equipment -	Non Controllable						
Surface Casing - 450 ft of		48 #/ft,	@ \$18.00 / foot	-	\$8,100		\$8,100
Intermediate Casis 4,200 ft of	ng -	24 & 32 #/ft,		•	\$48,300		\$48,300
Producting Casing	g -	17 & 20 #/ft,		-	3,000	\$102,600	\$102,600
Liner - 300 ft of		12.9 #/ft,				\$1,950	
Tubing -							\$1,950
11,400 ft of Rods -		N-80 6.5 #/ft,				\$43,890	\$43,890
	7/8" & 1.5" OD,		\$3.00 / foot \$2.00 / foot			\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit / M Subsurface Pumps	S	640 Used	Motor HP 50			\$45,000 \$5,000	\$45,000 \$5,000
Other Control Sub Wellhead Equipm		Tbg Head \$10.	,000 Valves \$4,500		\$5,000	\$2,500 \$14,500	\$2,500 \$19,500
	- Non Controllable \$2,500 Treaters	\$3,000 De	hyd			\$1,500 \$5,500	\$1,500 \$5,500
Flowlines Tanks	1,500 ft of	3" Steel OD, 2 - 500 Bbl Oil Tank	@ \$3.50 / foot			\$5,250 \$8,000	\$5,250 \$8,000
Sales Equipment/I	Meter Runs, etc.	2 - 500 But On Tani	as Osca			\$5,000	\$5,000
Compressors Pumps							\$0 \$0
Electrical Systems Fittings	•	ick span, meter loop				\$3,500 \$4,500	\$3,500 \$4,500
Other Control Lea	ase Equipment	POC				\$3,500	\$3,500
TOTAL TANGE	BLES			2	\$61,400	\$280,790	\$342,190
TOTAL WELL CO	ST COMPLETED				\$843,951	\$754,589	\$1,598,540
	1			•		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	_ +1,000,010
REMARKS:	See Attached Drilling Prog		cosing Drill 12 1/40 :	ata bala ta di	2001 and ant 9 = 1011	ing	
<del></del> -	Drill 7-7/8" production hol	e to 11,400' log and ev	casing. Drill 12-1/4" intermedi valuate Strawn (D&T costs). Ru	in & cmt 5-1/	2" casing at 11,400'. I	OO & KO horiz.	
			e BHL 1960 FNL & 1980' FWI			w/ BPU.	
Prepared By:	M. Stewart	Initials:	MY	. Title:	Engineer	Date:	06/11/01
Approval Company:	David Arrington O&G	Ву:		Title:		Date:	
Share %:	4.5455%	· · · · · · · · · · · · · · · · · · ·	Net S Amount:		\$72,662		

#### DAVID H. ARRINGTON OIL & GAS, INC.

#### P.O. 80X 2071, MIDLAND, TEXAS 79702 OFF (915) 682-6685 FAX (915) 682-4139

April 27, 2001

Permian Resources, Inc. Attn: Mr. Randy Stevens P.O. Box 590 Midland, Texas 79702-0590

Re: Hilburn #2

Section 13, T16S-R35E Lea County, New Mexico Proposal to deepen and drill horizontally

Dear Mr. Stevens,

In response to your letter dated March 29, 2001, and received in our offices April 3, 2001, accept this letter as David H. Arrington Oil & Gas, Inc.'s response to your proposal on the above-captioned well.

It is our position that Permian Resources has proposed a re-entry and deepening of a well that is already producing oil and gas in paying quantities in the Wolfcamp formation. As evidence, we would point to the fact that we have received joint interest billings and revenue each month since acquiring our interest in the lease.

As you referenced in your letter, this well is covered by a Joint Operating Agreement dated September 15, 1972 (JOA). We believe your proposal to re-enter this well is not allowed as per the JOA because it is producing in paying quantities. (Please refer to Article 12 on page 5 of said Operating Agreement.) You will see that your re-entry and deepening proposal is clearly not allowed without the consent of all parties. It is our position that your proposal is therefore not allowed under this Article in the Joint Operating Agreement. We do not concur with abandoning this zone.

Should it be your position that this well is not producing in paying quantities, please let us know immediately, and advise as to the information upon which you base that position.

Further, it is our understanding that the Hilburn #1 Strawn producer is in the Shoebar North Strawn Field which calls for 160 acre proration units, and the NW/4 is the spacing unit for the

Hilburn #1 well. It is our understanding that another new drill Strawn well would not be allowed in this NW/4 without changing these field rules.

In the event and only in the event that your proposal is ultimately deemed to be a valid proposal and ultimately allowed under the JOA, in order to preserve our rights, this letter shall serve or as our election to participate in same.

Finally, it is our firm position that this well continue to be produced as in the past, and if production has failed, that Permian Resources reestablish production immediately.

Your very truly,

David H. Arrington

#### Permian Resources, Inc

#### Hilburn No. 3

Procedure to Drill Vertical Wellbore to Test, Log and Evaluate North Shoe Bar (Strawn) Pool then Set Casing, Mill Window, Kick-Off and Drill Horizontally in Strawn Porosity to Proposed BHL

Proposed Surface Location

660' FNL & 510' FWL Section 13, T16S, R35E Lea County, New Mexico Proposed Bottom Hole Location

1980' FNL & 1980' FWL Section 13, T16S, R35E Lea County, New Mexico

Proposed Hole Sizes, Casing Sizes and Cement

17-1/2" hole @ 450'

13-3/8" 54.5 #/ft casing @, 450'

Cmt w/ ±450 sx Class "C" w/ 2% CaCl. Sufficient to circulate to

surface.

12-1/4" hole @  $\pm$  4,200' 8-5/8" 32 & 24 #/ft casing @  $\pm$ 4,200'

Cmt w/ ±2100 sx Lite lead + 400 sx "C" + 2% CaCl tail. Sufficient

to circulate to surface.

7-7/8" hole @  $\pm$  11,400' 5-1/2" 20 & 17 #/ft casing @11,400'

Cmt w/ ±600 sx "H" pozmix w/ RFA & retarders + 400 sx "H". Sufficient to bring TOC to ±4,000'.

4-5/8" hole @ ± 13,346' MVD

#### Abbreviated Proposed Procedure

- 1. Contract John West Surveys to survey confirming surface location as permitted and providing latitude and longitude. Build roads, location, cellar and dig pits to accomidate selected drilling rig. Drill mouse hole and rat hole
- 2. MIRU rotary drilling rig. Drill 17-1/2" surface hole utilizing FW native spud mud and circulating cellar returns with #2 pump cellar jet to ± 450'. Survey @ TD. Circ. and condition hole. POOH w/ DP, Collars & BHA. Run ± 450' of 13-3/8" Used or LS, 54.5 #/ft, K-55, ST&C casing w/ float equipment. Land casing and cement with 100% excess ± 450 sx Class "C" + 2% CaCl cement. Circulate cement to surface. WOC 12 hrs. Cut off and weld on 13-3/8" x 8-5/8" series 600 flanged casing head. NU 13-3/8" x 5000# Shaffer double preventer with 13-3/8" x 5000# Hydrill annular preventer. Test casing and BOP to 1000#. PU 12-1/4" Bit, BHA, collars and RIH. Wait on cement total of 18 hrs before drilling plug.
- 3. Drill 12-1/4" intermediate hole utilizing 10 # BW circulating inside reserve pit adding oil if necessary for Red Beds. Drill to TD @ ± 4,200'. Surveys every 500', Max deviation 5 deg., Max change 1-1/2% per 100'. Circ. and condition hole. POOH w/ DP, Collars & BHA. Run ± 4,200' of 8-5/8", 32 & 24 #/ft, J-55, ST&C casing w/ float equipment. Land casing and cement with ± 2,000 sx Lite Wt lead cement + 500 sx Class "C" w/ 2% CaCl. Circulate cement to surface. WOC 8 hrs. Cut off and weld on 8-5/8" x 5-1/2" series 600 flanged casing head. NU BOP and test casing to 1000#. NU choke manifold, install mud degasser and flare line. Test BOP, choke manifold and associated lines. Install rotating head. PU 7-7/8" bit, BHA, collars and RIH. Wait on cement total of 18 hrs before drilling plug.

Permian Resources, Inc.
Hilburn No. 3
Drill & Complete to North Shoe Bar (Strawn)
11 June 2001 – Page 2

- 4. Drill 7-7/8" hole utilizing FW circulating outside reserve pit adding MF-55 for solids. Mud logger on at 5,000'. At  $\pm$  10,000' turn into steel pits and bring MW up to  $\pm$  8.9 #/gal by adding BW. At  $\pm$  10,200' lower fluid loss to <12 cc by adding starch. Drill to TD @  $\pm$  11,500' adding BW to increase mud weight if required. Surveys every 500', Max deviation 5 deg., Max change 1-1/2% per 100'. DST's possible in Wolfcamp section  $\pm$  10,400' and Strawn section  $\pm$  11,340'. Drill 7-7/8" hole to  $\pm$  30 below last Strawn drilling break. Circ. and condition hole for logs. POOH w/ DP, Collars & BHA. Run open hole log suite consisting of GR / CNL / FDL and DIL / MSL from TD to intermediate casing. GR to surface. Evaluate Strawn formation for election to run 5-1/2" casing and complete.
- 5. If elect to complete, RIH w/ bit, BHA, collars and DP and circulate for casing. POOH w/ DP, collars & BHA laying down all. Run ± 11,400' of 5-1/2", 20 & 17 #/ft, N-80 & J-55, LT&C casing w/ float equipment. Land casing and cement with ± 600 sx "H" lead cement w/ appropriate friction reducers and retarders + 400 sx "H" tail cement w/ appropriate addatives. Cement volume based upon open hole logs with sufficient volume to bring cement up inside intermediate casing. WOC 8 hrs. Cut off and weld on 5-1/2"x 2-7/8" series 600 flanged tubing head. NU BOP and test casing to 1000#. NU choke manifold, choke lines, gas buster and flare line. Test BOP, choke manifold and associated lines. Install rotating head. Jet steel pits and mix Xanthan Gum mud system. PU 4-5/8" bit, BHA, collars and RIH on 2.-7/8" AOH drill pipe to top of plug. POOH w/ DP, collars, BHA and bit. RU wireline company and set 5-1/2" CIBP @ ±11,200'
- 6. RU directional drilling equipment and MWD equipment. Set 5-1/2", 20#/ft retrievable whip stock per directional drilling contractor specs on top of CIBP @ 11,200'.
- 7. PU mill, motor, BHA and RIH on DP. Cut window in 5-1/2" casing. POOH and PU 4-5/8" Bit and RIH on motor, BHA and DP. Kick off out window, build angle and begin drilling to encounter Strawn porosity @ ± 11, 360' TVD. Upon encountering Strawn porosity continue drilling in porosity to BHL at 1,980' FNL & 1,980' FWL, Section 13, T16S, R35E. Control well and record orientation, depth, angle, and coordinates per directional drilling contractor and NMOCD requirements. Anticipate 8.9 to 9.2 PPG drilling fluid with additives to control fluid loss and viscosity.
- 8. Upon reaching BHL target estimate TVD @ 11,370', MVD @ 13,346', total displacement ±1,976'. If required, run 4" FJ Liner from ±11,180' through build angle and shale to Strawn porosity. Cement liner and D/O if required by hole conditions. RU wireline company and set 5-1/2" RBP. Lay down DP & BHA. RD rotary drilling rig.
- 9. RU well service unit. NU BOP and PU 2-7/8" N-80 tbg and RIH w/ retrieving tool and retrieve RBP. PU pkr. and RIH on tbg. Set pkr. and acid stimulate as required. Test well. Complete as flowing completion or install BPU if required. RD well service unit. Restore location.

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PTTC PRRC NM-TECH NMBMMR



 NYMEX WTXI
 \$28.17

 Navajo WTXI
 \$24.50

 Henry Hub
 \$3.79

 Updated 6/8/01

ABOUT | GENERAL | COUNTY | OPERATOR | POOL | LOCATION | WELLACTI

#### View Data

Download: FTP - HTTP

Well:MAYFLY 14 STATE COM No.: 002

Operator: DAVID H'ARRINGTON OIL & GAS INC API: 3002534630Township: 16S Range: 35E

Section: 14 Unit: B Type: S County: Lea Well Bond Status: Active

**Accumulated:** 

Oil: 272811 (BBLS) Gas: 526655 (MCF)

Water: 0 (BBLS) Days Produced: 529 (Days)

Year: 1999

Pool Name: SHOE BAR; STRAWN, NORTH

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced	Accum. Oil(BBLS)	Accum. Gas(M
January	0	0	0	0	0	0
February	0	0	0	0	0	0
March	0	0	0	0	0	0
April	0	0	0	0	0	0
May	0	0	0	0	0	0 -
June	0	0	0	0	0	0
July	0	0	0	0	0	0
August	0	0	0	0	0	0
September	4425	6507	0	12	4425	6507
October	25252	41658	0	31	29677	48165
November	17935	27375	0	30	47612	75540
December	18084	26793	0	31	65696	102333
Total	65696	102333	0	104		

Year: 2000

Pool Name: SHOE BAR; STRAWN, NORTH

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced	Accum. Oil(BBLS)	Accum. Gas(M
January	16145	25353	0	31	81841	127686
February	12732	34585	0	29	94573	162271
March	16968	26115	0	31	111541	188386

April	14598	24258	0	30	126139	212644
May	15269	29133	0	31	141408	241777
June	15359	30281	0	30	156767	272058
July	16409	35260	0	31	173176	307318
August	16222	35954	0	31	189398	343272
September	15212	40033	0	30	204610	383305
October	14892	33869	0	31	219502	417174
November	14276	29540	0	30	233778	446714
December	13992	28842	0	31	247770	475556
Total	182074	373223	0	366		

Year: 2001 Pool Name: SHOE BAR;STRAWN, NORTH

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced	Accum. Oil(BBLS)	Accum. Gas(MC
January	13534	27109	0	31	261304	502665
February	11507	23990	0	28	272811	526655
Total	25041	51099	0	59		

Page last updated 00/00/2001. Webmaster gotech@prrc.nmt.edu

### eee Permian resources, include

June 11, 2001

David H. Arrington Oil & Gas, Inc. P.O. Box 2071 Midland, Texas 79702

RE: HILBURN NO. 3

T-16-S, R-35-E, NMPM

Section 13: NE/4

Lea county, New Mexico

Dear Sirs:

Delivered this date to you is a proposal to drill the referenced well. By virtue of the Joint Operating Agreement dated September 15, 1972 under the subsequent operations section you have 30 days to respond to the proposal.

Since this proposal is hand delivered instead of sent certified mail we ask that you acknowledge the receipt of this proposal by executing the enclosed Acknowledgement of Receipt of Delivery so we can tract the time deadline as outlined in the Joint Operating Agreement.

If you should have any questions please let me know.

Melve

Sincerely,

Robert H. Marshall

Permian Resources
Ex. No. \_\_\_\_\_
NMOCD Case No. 12663
June 14, 2001

# ETELOGIPERMIAN RESOURCES, THE TELESCOPE

### Acknowledgement of Receipt of Delivery

This document shall serve as a	acknowledgement that		
	-	(individu	ıal)
received on behalf of David A	Arrington Oil & Gas, (company)	Inc., whose ad	dress is
P. O. Box 2071	,Midland	, Texas ,	79702
(address)	(city)	(state)	(zip)
the following documents via h	nand delivery:		
Hilburn No. 3 Authori	ty for Expenditure (AF	E) and transmit	tal letter.
Date of Delivery:			
Received By:			

### end permian resources, tici

June 10, 2001

David Arrington Oil & Gas, Inc. P. O. Box 2071 Midland, TX 79702

Via Hand Delivery

Re:

Proposal to Drill Hilburn No. 3

Section 13, T16S, R35E, Lea County, NM

#### Gentlemen:

By prior letter dated March 29, 2001, Permian Resources, Inc, as operator of the Hilburn Lease (NW/4 Section 13, T16S, R35E), proposed the directional deepening of the existing Hilburn No. 2 vertical wellbore from the surface location of 1,190' FNL and 1,980' FWL to the proposed bottom hole location of 660' FNL and 660' FWL to test the North Shoe Bar (Strawn) interval. By virtue of the attached letter dated April 27, 2001, David Arrington Oil & Gas, Inc., a 4.5455% working interest owner in the Hilburn Lease, objected to the re-entry proposal which required the temporary abandonment of the Wolfcamp interval which produces approximately 6 BOPD, 15 MCFPD and 4 BWPD in favor of testing the potentially prolific Strawn interval at the proposed bottom hole location.

Consequently, Permian Resources Inc., hereby withdrawals our March 29, 2001 proposal and now proposes the drilling of the **Hilburn No. 3** wellbore to test the Strawn formation from the *proposed standard surface location* of 660' FNL and 510' FWL (Unit D), Section 13, T16S, R35E, Lea County, New Mexico. As detailed in the attached abbreviated procedure, Permian Resources Inc. proposes that the Hilburn No. 3 be drilled vertically from the aforementioned surface location to test, log and evaluate the Strawn formation. Based upon favorable tests results, production casing will be run and cemented and the wellbore will then be "kicked-off" and drilled horizontally within the Strawn formation porosity towards an ultimate *proposed bottom hole location* of 1,980' FNL and 1,980' FWL, Section 13, T16S, R35E.

The proposed drilling of the Hilburn No. 3 and completion attempt is necessary to protect the correlative rights of the mineral and leasehold owners of the NW/4 Section 13, T16S, R35E, from the potential drainage as incurred by the offsetting David Arrington Oil &

Hilburn No. 3 - Proposal to Drill June 10, 2001 - Page No. 2

Gas, Inc. – Mayfly "14" State Com. No. 2 well. The Mayfly "14" State Com. No. 2 was drilled as a ±1,214' horizontal Strawn completion from a surface location of 660' FNL and 2060' FEL to a reported bottom hole location of 715' FNL and 788' FEL in the *adjacent* Section 14, T16S, R35E. The Mayfly "14" State Com. No. 2 was completed in September, 1999 and through February, 2001 has produced a cumulative 272,811 BO and 526,655 MCF from the Strawn interval (copy of tabular production attached). The well continues to flow in excess of 400 BOPD and 850 MCFPD.

In addition to the currently producing Mayfly "14" State Com. No. 2 completion, Arrington has also proposed plugging back to the Strawn interval in the Mayfly "14" State Com. No. 7 well which was drilled to test the Austin (Morrow) sand at an "unorthodox non-standard" surface location of 330' FNL and 330' FEL in Section 14, T16S, R35E. While Permian Resources Inc. will be protesting the proposed plug back of the Mayfly "14" State Com. No. 7 on behalf of the mineral and leasehold owners of the NW/4 Section 13, it is imperative that a well be drilled to produce any reserves associated with the Strawn algal mound porosity pod that may exist in the NW/4 NW/4 of Section 13.

For your review and approval, please find two (2) copies of an "Authority For Expenditure" (AFE) providing for the drilling and completion of the Hilburn No. 3 well. Please note that the AFE has been prepared assuming that the wellbore will be drilled horizontally some 1,900' and beam pumping equipment will be required. Actual costs could be less than those detailed should the horizontal section be shortened and artificial lift equipment not be required.

Please return one copy of the enclosed AFE along with a copy of this letter executed on your behalf so that operations may begin as early as possible. I would reference the supporting documents forwarded with our prior March 29, 2001 proposal in addition to the various attached information for your expedient review of the proposal. Pursuant to the Joint Operating Agreement dated September 15, 1972, you have 30 days upon receipt of this letter to make an election.

Should you have any questions concerning this matter, please contact me at the letterhead address.

Whrelell

Very truly yours,

Robert H. Marshall

ms/

Enclosures

Hilburn No. 3 June 10, 2001	- Proposal to Drill - Page No. 3				
	Elect to Join				
	Elect not to Join				
David Arrington Oil & Gas, Inc. 4.5455% Working Interest					
By:					
Name:					
<b></b>					

# PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	HILBURN HORIZONTAL I	NFILL	Well No.:	3 Field:	SHOE BAR, NORTH (STR.4	(WN)
Well Location:	660' FNL & 510' FWL; BHL	1980' FNL & 1980' FW	L Legal:	SECTION 13, T168, R35E	1)	
County:	LEA	State:	: NM Prop Dept	h: 11.500	feet AFE No.:	
Obj./ Form.	DRILL VERTICAL, KO HO	RIZONTAL, COMPLE	TE AND EQUIP 11,500' ST	RAWN PUMPING OIL WELL,	MD 13,200'	
	(	CATEGORY		DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES:						
	iton, pits & survey Mobilization	\$25,000 Damage	s \$5,000	\$30,000 \$30,000		\$30,000 \$30,000
Contract Drlg - I Contract Drlg - I		days @ \$12,000 days @ \$12,000		\$408,000	\$156,000	\$408,000 \$156,000
Contract Drlg - I Bits		feet @	/foot	\$0 \$51,000	\$26,500	\$0 \$77,500
Fuel & Power Completion Rig	\$42,300 Water 6 days @	\$15,000 \$2,100 /day		\$41,451	\$15,849 \$12,600	\$57,300 \$12,600
Cement Surface Cement Product	\$5,500 Cerner	nt Intermediate	\$20,000	\$25,500	\$20,000	\$25,500 \$20,000
Casing Tools and				\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hole Logg				\$18,000		\$18,000
Mud Logging Cased Hole Log				\$15,000	\$8,000	\$15,000 \$8,000
Perforating DST/Testing	open-hole co	ompletion		\$8,000		\$0 \$8,000
Stimulation - Ac Special Services		Stimulation - Fractu Services, Motors, MWD		<del></del>	\$15,000 \$75,500	\$15,000 \$75,500
Rentals - Surfac	e Rotating He	ad, Gas Sep., Housing Pkrs., X-overs, Valves		\$7,500 \$2,500	\$2,500 \$18,500	\$10,000
Rentals - BHA E Rentals -	Drill Pipe \$21,000		BOP/CK \$3,500		\$24,500	\$21,000 \$24,500
Miscellaneous R Mud & Chemica				\$1,500 \$20,000	\$5,000 \$15,000	\$6,500 \$35,000
Rig Supervision Trucking	\$500.00 /day	34 Drill	19 Complete	\$17,000 \$2,000	\$9,500 \$2,500	\$26,500 \$4,500
Insurance Overhead	\$250.00 /day	34 Drill	19 Complete	\$9,500 \$8,500	\$4,750	\$9,500 \$13,250
Well Equipment	- Intangible Installation		Complete	\$2,500	\$4,500	\$7,000
Contingencies (	nt - Intangible Installation  (a) 10.0%	of Total		\$71,100	\$7,500 \$43,100	\$7,500 \$114,200
TOTAL INTA	NGIBLES			\$782,551	\$473,799	\$1,256,350
TANGIBLES:						
Surface Casing						
450 ft Intermediate Ca	of 13-3/8 LS OD, sing -	48 #/ft, @	\$18.00 / foot	\$8,100		\$8,100
4,200 ft Producting Casi	of <u>8-5/8"</u> OD,	24 & 32 #/ft, @	\$11.50 / foot	\$48,300		\$48,300
	of <u>5-1/2"</u> OD,	<u>17 &amp; 20</u> #/ft, @	\$9.00 / foot		\$102,600	\$102,600
	of 4" FI OD,	12.9 #/ft, @	\$6.50 / foot		\$1,950	\$1,950
11,400 ft	of <u>2-7/8"</u> OD,	N-80 6.5 #/ft, @	\$3.85 / foot		\$43,890	\$43,890
	of 1.2" FG OD,		\$3.00 / foot		\$19,800	\$19,800
Pumping Unit /		640 Used	\$2,00 / foot Motor HP 50		\$8,800 \$45,000	\$8,800 \$45,000
Subsurface Pun Other Control S					\$5,000 \$2,500	\$5,000 \$2,500
Wellhead Equip	oment \$5,000 nt - Non Controllable	Tbg Head \$10,00	0 Valves <u>\$4,500</u>	\$5,000	\$14,500 \$1,500	\$19,500 \$1,500
Separators	\$2,500 Treaters 1,500 ft of	\$3,000 Dehye		<del> </del>	\$5,500 \$5,250	\$5,500 \$5,250
Flowlines Tanks		2 - 500 Bbl Oil Tanks			\$8,000	\$8,000
Sales Equipmer Compressors	nt/Meter Runs, etc.				\$5,000	\$5,000 \$0
Pumps Electrical Syste	ms 3 Poles, sia	ck span, meter loop			\$3,500	\$0 \$3,500
Fittings	Lease Equipment	POC			\$4,500 \$3,500	\$4,500 \$3,500
TOTAL TAN				\$61,400	\$280,790	\$342,190
10						
TOTAL WELL C	OST COMPLETED		ŧ	\$843,951	\$754,589	\$1,598,540
REMARKS:	See Attached Drilling Progr	iosis For Details				
	Drill 17-1/2" surface hole to	450' and set 13-3/8" ca		ate hole to 4,200' and set 8-5/8" in & cmt 5-1/2" casing at 11,400		,
_	Drill to TVD 11,360', MD			L. Run 4" FJ liner, acidize and e		
Prepared By:	M. Stewart	Initials:	42	Title: Engineer	Date:	06/11/01
Approval Company:	David Arrington O&G	By:	v	Title:	Date:	
•	4.5455%		Net S Amount:	\$72,662	Date.	
Share %:	サルサンシ / 0		THE S WINGHIT!	372,002	-	

# PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	HILBURN HORI	IZONTAL I	NFILL			Well No.:	3	Field: SHO	E BAR. NORTH (STRA)	WN)
Well Location:	660' FNL & 510'	FWL; BHL	1980' FNL &	1980' FWI		Legal: SE	ECTION 13	, T168, R35E		***
County:	LEA			State:	NM	Prop Depth	: _	11,500_feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	AL. KO HO	RIZONTAL,	COMPLET	E AND EQUI	P 11,500' STR	AWN PUN	IPING OIL WELL, MD	13,200'	
•										
			CATEGORY				=	DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES:			\$25,000	Damago	. FE 000			£75 000		670 000
Build roads, locat Contract Drlg - M	lobilization		\$25,000	Damages			_	\$30,000 \$30,000		\$30,000 \$30,000
Contract Drig - D Contract Drig - D			days @ _ days @.	\$12,000 \$12,000			-	\$408,000	\$156,000	\$408,000 \$156,000
Contract Drlg - Fo			feet @		/foot		_	\$0 \$51,000	\$26,500	\$0 \$77,500
Fuel & Power	\$42,300		\$15,000	/4			_	\$41,451	\$15,849	\$57,300
Completion Rig Cement Surface	\$5,500		\$2,100 it Intermediate		\$20,000		_	\$25,500	\$12,600	\$12,600 \$25,500
Cement Production Casing Tools and	Crews -	\$20,000					_	\$5,500	\$20,000 \$7,000	\$20,000 \$12,500
P & A Open Hole Loggi	ng						=	\$8,000 \$18,000		\$8,000 \$18,000
Mud Logging	\$15,000	Coring					-	\$15,000	ed 000	\$15,000
Cased Hole Logg Perforating		open-hole co	mpletion						\$8,000	
DST/Testing Stimulation - Acid	d	\$15,000	Stirmlatic	n - Fractur	e.	\$0	-	\$8,000	\$15,000	\$8,000 \$15,000
Special Services	Ī	Directional S	Services, Moto	rs, MWD	٠ .		_	75 400	\$75,500	\$75,500
Rentals - Surface Rentals - BHA E			ad, Gas Sep., I Pkrs., X-overs.				-	\$7,500 \$2,500	\$2,500 \$18,500	\$10,000 \$21,000
Rentals - Miscellaneous Re	Drill Pipe	\$21,000 Frac Tanks	Tubing _		BOP/CK	\$3,500	_	\$1,500	\$24,500 \$5,000	\$24,500
Mud & Chemical	s						-	\$20,000	\$15,000	\$6,500 \$35,000
Rig Supervision Trucking	\$500.00	/day	341	Drill	19	Complete	-	\$17,000 \$2,000	\$9,500 \$2,500	\$26,500
Insurance							-	\$9,500	32,300	\$4,500 \$9,500
Overhead Well Equipment	\$250.00 Intangible Installat		341	Drill	19	Complete	-	\$8,500 \$2,500	\$4,750 \$4,500	\$13,250 \$7,000
Lease Equipment	- Intangible Installat	tion	em				-		\$7,500	\$7,500
Contingencies @	-	10.0%	of Total				-	\$71,100	\$43,100	\$114,200
TOTAL INTAN	IGIBLES						=	\$782,551	\$473,799	\$1,256,350
TANGIBLES:										
Surface Casing -	- Non Controllable						-	<u></u>		
450 ft o		OD,	48	#/ft, @	\$18.00	/ foot	-	\$8,100		\$8,100
4,200 ft o	of 8-5/8"	OD,	24 & 32	#/ft, @	\$11.50	/ foot	-	\$48,300		\$48,300
11,400 ft o		OD,	17 & 20	#/ft, @	\$9.00	/ foot			\$102,600	\$102,600
Liner - 300 ft o	of 4"FJ	OD,	12.9	#/ft, @	\$6.50	/ foot			\$1,950	\$1,950
Tubing - 11,400 ft o	of 2-7/8"	OD,	N-80 6.5	#/ft, @	\$3.85				\$43,890	\$43,890
Rods -			11-00 0.5	11724, 665						
6,600 ft o	of 1.2" FG of 7/8" & 1.5"	OD, OD,	-		\$3.00 \$2.00				\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit / N Subsurface Pump		API Size	640 Used		Motor HP	50			\$45,000 \$5,000	\$45,000 \$5,000
Other Control Su	ibsurface								\$2,500	\$2,500
Weilhead Equipment	nent t - Non Controllable	\$5,000	Tbg Head	\$10,000	Valves	\$4,500		\$5,000	\$14,500 \$1,500	\$19,500 \$1,500
Separators	\$2,500	Treaters	\$3,000	Dehyd			•		\$5,500	\$5,500
Flowlines Tanks	1,500	ft of	3" Steel 2 - 500 Bbl (			/ foot			\$5,250 \$8,000	\$5,250 \$8,000
Sales Equipment	/Meter Runs, etc.		2 - 300 DUI (	on ranks c	aca .				\$5,000	\$5,000
Compressors Pumps										<u></u>
Electrical System	ns	3 Poles, slad	ck span, meter	loop					\$3,500	\$3,500
Fittings Other Control Le	ease Equipment		POC						\$4,500 \$3,500	\$4,500 \$3,500
TOTAL TANG								\$61,400	\$280,790	\$342,190
TOTAL TANG	IBLES							301,400	3200,770	3342,170
TOTAL WELL CO	OST COMPLETED	,						\$843,951	\$754,589	\$1,598,540
		ŧ								
REMARKS:	See Attached Di	rilling Progr	osis For Deta	ils	·					
	Drill 17-1/2" sur	rrace hole to	450' and set	3-3/8" cas	ing. Drill 12-1	/4" intermediat	& cmt 5-1	200' and set 8-5/8" casin 2" casing at 11,400'. Do	g. O & KO horiz	
	Drill to TVD 11	,360', MD 1	3,200' to appt	oximate B	HL 1960 FNL	& 1980' FWL.	Run 4" FJ	liner, acidize and equip	w/ BPU.	
Prepared By:	M. Stewart		Initials:				Title:	Engineer	Date:	06/11/01
•				<del></del>		<del></del>	<del></del>			
Approval Company:	David Arringto	on O&G	Ву:				Title:		Date:	····
Share %:	4.5455%				Net S Amo	unte		\$72,662		

#### DAVID H. ARRINGTON DIL & GAS, INC.

#### P.O. BOX 2071 , MIDLAND, TEXAS 79702 OFF (915) 682-6685 FAX (915) 682-4139

April 27, 2001

Via Certified Mail - Return Receipt Requested 7099 3220 0005 1183 7177

Via Facsimile (915) 685-3621

Permian Resources, Inc. Attn: Mr. Randy Stevens P.O. Box 590 Midland, Texas 79702-0590

Re: Hilburn #2

Section 13, T16S-R35E Lea County, New Mexico Proposal to deepen and drill horizontally

Dear Mr. Stevens,

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In response to your letter dated March 29, 2001, and received in our offices April 3, 2001, accept this letter as David H. Arrington Oil & Gas, Inc.'s response to your proposal on the above-captioned well.

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It is our position that Permian Resources has proposed a re-entry and deepening of a well that is already producing oil and gas in paying quantities in the Wolfcamp formation. As evidence, we would point to the fact that we have received joint interest billings and revenue each month since acquiring our interest in the lease.

As you referenced in your letter, this well is covered by a Joint Operating Agreement dated September 15, 1972 (JOA). We believe your proposal to re-enter this well is not allowed as per the JOA because it is producing in paying quantities. (Please refer to Article 12 on page 5 of said Operating Agreement.) You will see that your re-entry and deepening proposal is clearly not allowed without the consent of all parties. It is our position that your proposal is therefore not allowed under this Article in the Joint Operating Agreement. We do not concur with abandoning this zone.

Should it be your position that this well is not producing in paying quantities, please let us know immediately, and advise as to the information upon which you base that position.

Further, it is our understanding that the Hilburn #1 Strawn producer is in the Shoebar North Strawn Field which calls for 160 acre proration units, and the NW/4 is the spacing unit for the

Hilburn #1 well. It is our understanding that another new drill Strawn well would not be allowed in this NW/4 without changing these field rules.

In the event and only in the event that your proposal is ultimately deemed to be a valid proposal and ultimately allowed under the JOA, in order to preserve our rights, this letter shall serve or as our election to participate in same.

Finally, it is our firm position that this well continue to be produced as in the past, and if production has failed, that Permian Resources reestablish production immediately.

Your very truly,

David H. Arrington

#### Permian Resources, Inc

#### Hilburn No. 3

Procedure to Drill Vertical Wellbore to Test, Log and Evaluate North Shoe Bar (Strawn) Pool then Set Casing, Mill Window, Kick-Off and Drill Horizontally in Strawn Porosity to Proposed BHL

Proposed Surface Location

660' FNL & 510' FWL Section 13, T16S, R35E Lea County, New Mexico Proposed Bottom Hole Location

1980' FNL & 1980' FWL Section 13, T16S, R35E Lea County, New Mexico

Proposed Hole Sizes, Casing Sizes and Cement

17-1/2" hole @ 450'

13-3/8" 54.5 #/ft casing @ 450'

Cmt w/ ±450 sx Class "C" w/ 2% CaCl. Sufficient to circulate to

surface.

12-1/4" hole @  $\pm$  4,200' 8-5/8" 32 & 24 #/ft casing @  $\pm$ 4,200'

Cmt w/ $\pm$ 2100 sx Lite lead + 400 sx "C" + 2% CaCl tail. Sufficient

to circulate to surface.

7-7/8" hole @  $\pm$  11,400' 5-1/2" 20 & 17 #/ft casing @11,400'

Cmt w/ ±600 sx "H" pozmix w/ RFA & retarders + 400 sx "H". Sufficient to bring TOC to ±4,000'.

4-5/8" hole @ ± 13,346' MVD

#### Abbreviated Proposed Procedure

- 1. Contract John West Surveys to survey confirming surface location as permitted and providing latitude and longitude. Build roads, location, cellar and dig pits to accomidate selected drilling rig. Drill mouse hole and rat hole
- 2. MIRU rotary drilling rig. Drill 17-1/2" surface hole utilizing FW native spud mud and circulating cellar returns with #2 pump cellar jet to ± 450'. Survey @ TD. Circ. and condition hole. POOH w/ DP, Collars & BHA. Run ± 450' of 13-3/8" Used or LS, 54.5 #/ft, K-55, ST&C casing w/ float equipment. Land casing and cement with 100% excess ± 450 sx Class "C" + 2% CaCl cement. Circulate cement to surface. WOC 12 hrs. Cut off and weld on 13-3/8" x 8-5/8" series 600 flanged casing head. NU 13-3/8" x 5000# Shaffer double preventer with 13-3/8" x 5000# Hydrill annular preventer. Test casing and BOP to 1000#. PU 12-1/4" Bit, BHA, collars and RIH. Wait on cement total of 18 hrs before drilling plug.
- Drill 12-1/4" intermediate hole utilizing 10 # BW circulating inside reserve pit adding oil if necessary for Red Beds. Drill to TD @ ± 4,200". Surveys every 500", Max deviation 5 deg., Max change 1-1/2% per 100". Circ. and condition hole. POOH w/ DP, Collars & BHA. Run ± 4,200" of 8-5/8", 32 & 24 #/ft, J-55, ST&C casing w/ float equipment. Land casing and cement with ± 2,000 sx Lite Wt lead cement + 500 sx Class "C" w/ 2% CaCl. Circulate cement to surface. WOC 8 hrs. Cut off and weld on 8-5/8" x 5-1/2" series 600 flanged casing head. NU BOP and test casing to 1000#. NU choke manifold, install mud degasser and flare line. Test BOP, choke manifold and associated lines. Install rotating head. PU 7-7/8" bit, BHA, collars and RIH. Wait on cement total of 18 hrs before drilling plug.

Permian Resources, Inc. Hilburn No. 3 Drill & Complete to North Shoe Bar (Strawn) 11 June 2001 – Page 2

- 4. Drill 7-7/8" hole utilizing FW circulating outside reserve pit adding MF-55 for solids. Mud logger on at 5,000'. At  $\pm$  10,000' turn into steel pits and bring MW up to  $\pm$  8.9 #/gal by adding BW. At  $\pm$  10,200' lower fluid loss to <12 cc by adding starch. Drill to TD @  $\pm$  11,500' adding BW to increase mud weight if required. Surveys every 500', Max deviation 5 deg., Max change 1-1/2% per 100'. DST's possible in Wolfcamp section  $\pm$  10,400' and Strawn section  $\pm$  11,340'. Drill 7-7/8" hole to  $\pm$  30 below last Strawn drilling break. Circ. and condition hole for logs. POOH w/ DP, Collars & BHA. Run open hole log suite consisting of GR / CNL / FDL and DIL / MSL from TD to intermediate casing. GR to surface. Evaluate Strawn formation for election to run 5-1/2" casing and complete.
- If elect to complete, RIH w/ bit, BHA, collars and DP and circulate for casing. POOH w/ DP, collars & BHA laying down all. Run ± 11,400' of 5-1/2", 20 & 17 #/ft, N-80 & J-55, LT&C casing w/ float equipment. Land casing and cement with ± 600 sx "H" lead cement w/ appropriate friction reducers and retarders + 400 sx "H" tail cement w/ appropriate addatives. Cement volume based upon open hole logs with sufficient volume to bring cement up inside intermediate casing. WOC 8 hrs. Cut off and weld on 5-1/2"x 2-7/8" series 600 flanged tubing head. NU BOP and test casing to 1000#. NU choke manifold, choke lines, gas buster and flare line. Test BOP, choke manifold and associated lines. Install rotating head. Jet steel pits and mix Xanthan Gum mud system. PU 4-5/8" bit, BHA, collars and RIH on 2.-7/8" AOH drill pipe to top of plug. POOH w/ DP, collars, BHA and bit. RU wireline company and set 5-1/2" CIBP @ ±11,200'
- 6. RU directional drilling equipment and MWD equipment. Set 5-1/2", 20#/ft retrievable whip stock per directional drilling contractor specs on top of CIBP @ 11,200'.
- 7. PU mill, motor, BHA and RIH on DP. Cut window in 5-1/2" casing. POOH and PU 4-5/8" Bit and RIH on motor, BHA and DP. Kick off out window, build angle and begin drilling to encounter Strawn porosity @ ± 11, 360' TVD. Upon encountering Strawn porosity continue drilling in porosity to BHL at 1,980' FNL & 1,980' FWL, Section 13, T16S, R35E. Control well and record orientation, depth, angle, and coordinates per directional drilling contractor and NMOCD requirements. Anticipate 8.9 to 9.2 PPG drilling fluid with additives to control fluid loss and viscosity.
- 8. Upon reaching BHL target estimate TVD @ 11,370', MVD @ 13,346', total displacement ±1,976'. If required, run 4" FJ Liner from ±11,180' through build angle and shale to Strawn porosity. Cement liner and D/O if required by hole conditions. RU wireline company and set 5-1/2" RBP. Lay down DP & BHA. RD rotary drilling rig.
- 9. RU well service unit. NU BOP and PU 2-7/8" N-80 tbg and RIH w/ retrieving tool and retrieve RBP. PU pkr. and RIH on tbg. Set pkr. and acid stimulate as required. Test well. Complete as flowing completion or install BPU if required. RD well service unit. Restore location.

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ABOUT | GENERAL | COUNTY | OPERATOR | POOL | LOCATION | WELLACTI

#### View Data

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Well:MAYFLY 14 STATE COM No.: 002

Operator: DAVID H ARRINGTON OIL & GAS INC API: 3002534630Township: 16S Range: 35E

Section: 14 Unit: B Type: S County: Lea Well Bond Status: Active

Accumulated:

Oil: 272811 (BBLS) Gas: 526655 (MCF) Water: 0 (BBLS) Days Produced: 529 (Days)

Year: 1999

Pool Name: SHOE BAR; STRAWN, NORTH

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced	Accum. Oil(BBLS)	Accum. Gas(M
January	0	0	0	0	0	0
February	0	0	0	0	0	0
March	0	0	0 .	0	0	0
April	0	0	0	0	0	0
May	0	0	0	0	0	0
June	0	0	0	0	0	0
July	0	0	0	0	0	0
August	0	0	0	0	0	0
September	4425	6507	0	12	4425	6507
October	25252	41658	0	31	29677	48165
November	17935	27375	0	30	47612	75540
December	18084	26793	0	31	65696	102333
Total	65696	102333	0	104		

Year: 2000

Pool Name: SHOE BAR; STRAWN, NORTH

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced	Accum. Oil(BBLS)	Accum. Gas(M
January <sup>'</sup>	16145	25353	0	31	81841	127686
February	12732	34585	0	29	94573	162271
March	16968	26115	0	31	111541	188386

April	14598	24258	0	30	126139	212644
May	15269	29133	0	31	141408	241777
June	15359	30281	0	30	156767	272058
July	16409	35260	0	31	173176	307318
August	16222	35954	0	31	189398	343272
September	15212	40033	0	30	204610	383305
October	14892	33869	0	31	219502	417174
November	14276	29540	0	30	233778	446714
December	13992	28842	0	31	247770	475556
Total	182074	373223	0	366		

Year: 2001 Pool Name: SHOE BAR;STRAWN, NORTH

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced	Accum. Oil(BBLS)	Accum. Gas(MC
January	13534	27109	0	31	261304	502665
February	11507	23990	0	28	272811	526655
Total	25041	51099	0	<b>5</b> 9		

Page last updated 00/00/2001. Webmaster gotech@prrc.nmt.edu

# IPERMIAN RESOURCES, THE

### Acknowledgement of Receipt of Delivery

This document shall	serve as ackn	owledgement that	Shawn (individu	a Slough
received on behalf o	f <u>David Arri</u>	ngton Oil & Gas (company)	, Inc., , whose add	dress is
P. O. Box 20	71,	<u>Mi</u> dland	_, Texas,	<u>79702</u> ,
(address)		(city)	(state)	(zip)
the following docum	nents via hand	delivery:		
Hilburn No.	3 Authority fo	or Expenditure (A	FE) and transmit	tal letter.
Date of Delivery:	Le-13	-01	<b>-</b> .	
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Permian Resources
Ex. No. \_\_\_\_
NMOCD Case No. 12663
June 14, 2001

### ed permian resources, the incident

#### Acknowledgement of Receipt of Delivery

This document shall	serve as ackn	owledgement tha	at Sh	(individual)	Slough
received on behalf of <u>David Arrington Oil &amp; Gas. Inc.</u> , whose address is (company)					
P. O. Box 2071 (address)		Midland (city)		rexas,state)	79702 (zip)
the following docum	ents via hand	delivery:		·	·
Hilburn No.	3 Authority fo	or Expenditure (A	FE) and	l transmittal	letter.
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Received By:	Shar	ora Slow	igh	<b></b>	

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NMOCD Case No. 12663
June 14, 2001