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TODD A. SCHWARZ
JULIE A. COLEMAN

COUNSEL

PAUL W. ROBINSON
ROSS B. PERKAL
JAMES J. WIDLAND
BRADLEY D. TEPPER**
GARY RISLEY

OF COUNSEL

WILLIAM K. STRATVERT
JAMES B. COLLINS
RALPH WM. RICHARDS

ALBUQUERQUE, NM

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

SANTA FE, NM

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

FARMINGTON, NM

300 WEST ARRINGTON, SUITE 300
POST OFFICE BOX 869
FARMINGTON, NM 87499-0869
TELEPHONE: (505) 326-4521
FACSIMILE: (505) 325-5474

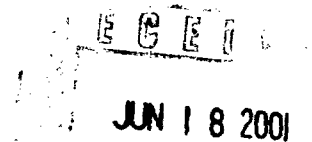
LAS CRUCES, NM

500 S. MAIN ST., SUITE 800
POST OFFICE BOX 1209
LAS CRUCES, NM 88004-1209
TELEPHONE: (505) 523-2481
FACSIMILE: (505) 526-2215

PLEASE REPLY TO SANTA FE

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

June 15, 2001



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

Re: 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.

Exhibit C: 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 mis-dated 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.

A handwritten signature in black ink, appearing to read "J. Scott Hall".

J. Scott Hall

JSH/ao
Enclosure(s) – as stated

cc: Robert Marshall
Michael Feldewert (with enclosures)

7690/26781/Correspondence/Catanach ltr.doc

PERMIAN RESOURCES, INC.

JUN 18 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 existing 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.

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 adjacent 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

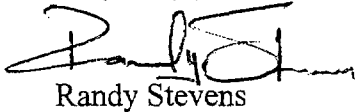

Permian Resources
Ex. No. B
NMOCD Case No. 12663
June 14, 2001

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590
608 NORTH MAIN • MIDLAND, TEXAS 79701
PHONE (915) 685-0113 • FAX (915) 685-3621

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 off-setting 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,

 by 
Randy Stevens

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 PUD Well No.: 2 Field: SHOE BAR, NORTH (STRAWN)
Well Location: 1190' FNL & 1980' FWL, BHL 660' FNL & 660' FWL Legal: SECTION 13, T16S, R35E
County: LEA State: NM Prop Depth: 11,500 feet AFE No.: _____
Obj./ Form: SQUEEZE EXISTING WOLFCAMP PERFS, KO @ 11,200' AND DRILL HORIZONTAL TO BHL. COMPLETE AND EQUIP.

CATEGORY				DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES:						
Build roads, locaton, pits & survey	\$2,500	Damages	\$1,000	\$3,500		\$3,500
Contract Drlg - Mobilization				\$18,000		\$18,000
Contract Drlg - Day work	13.0 days @	\$8,150 /day		\$105,950		\$105,950
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits	4 - 4-5/8" bits			\$26,000		\$26,000
Fuel & Power	\$8,450	Water	\$3,000	\$11,450		\$11,450
Completion Rig	5 days @	\$2,100 /day	Prepare Re-Entry	\$10,500		\$10,500
Completion Rig	6 days @	\$2,100 /day	Complete Strawn		\$12,600	\$12,600
Cement Surface	Cement Intermediate	\$5,000	Squeeze WC	\$5,000		\$5,000
Cement Production	\$7,000	Cement 4" FJ Liner			\$7,000	\$7,000
Casing Tools and Crews				\$2,500	\$7,000	\$9,500
P & A				\$8,000		\$8,000
Open Hole Logging						\$0
Mud Logging	\$5,000	Coring		\$5,000		\$5,000
Cased Hole Logging					\$5,000	\$5,000
Perforating	Open-hole completion				\$0	\$0
DST/Testing	Test rental tbg. & repair. Test prod. tbg.			\$3,000		\$3,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services	Directional Services, Motors, MWD			\$75,500		\$75,500
Rentals - Surface	Rotating Head, Gas Sep., Housing, LM Shaker			\$12,500		\$12,500
Rentals - BHA Equipment	Whipstock, Pkrs., X-overs, Valves			\$19,000	\$2,500	\$21,500
Rentals - Drill Pipe	\$21,000	Tubing	BOP/CK \$3,500	\$21,000	\$3,500	\$24,500
Miscellaneous Rentals	Frac Tanks			\$1,500	\$5,000	\$6,500
Mud & Chemicals	Mud & Closed Loop Services			\$30,000		\$30,000
Rig Supervision	\$500.00 /day	18 Drill	6 Complete	\$9,000	\$3,000	\$12,000
Trucking				\$3,500	\$2,500	\$6,000
Insurance				\$3,500		\$3,500
Overhead	\$250.00 /day	18 Drill	6 Complete	\$4,500	\$1,500	\$6,000
Well Equipment - Intangible Installation				\$2,500	\$2,500	\$5,000
Lease Equipment - Intangible Installation					\$1,500	\$1,500
Contingencies @	10.0% of Total			\$38,100	\$6,900	\$45,000
TOTAL INTANGIBLES				\$419,500	\$75,500	\$495,000
TANGIBLES:						
Well Equipment - Non Controllable				\$2,000	\$2,000	\$4,000
Surface Casing -						
ft of	OD,	#/ft, @	/ foot	\$0		\$0
Intermediate Casing -						
ft of	OD,	#/ft, @	/ foot	\$0		\$0
Producing Casing -						
ft of	OD,	#/ft, @	/ foot		\$0	\$0
Liner -						
300 ft of	4" FJ	OD,	12.9 #/ft, @ \$6.50 / foot		\$1,950	\$1,950
Tubing -						
2,000 ft of	2-7/8"	OD,	N-80 6.5 #/ft, @ \$3.85 / foot		\$7,700	\$7,700
Rods -						
ft of	OD,		/ foot	\$0		\$0
ft of	OD,		/ foot	\$0		\$0
Pumping Unit / Motor	API Size		Motor HP			
Subsurface Pumps					\$4,000	\$4,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	Tbg Head	Valves	\$1,000	\$0	\$1,000	\$1,000
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	Treaters	Dehyd			\$0	\$0
Flowlines	ft of	OD, @	/ foot		\$0	\$0
Tanks						\$0
Sales Equipment/Meter Runs, etc.						\$0
Compressors						\$0
Pumps						\$0
Electrical Systems						\$0
Fittings						\$1,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
TOTAL TANGIBLES				\$2,000	\$24,150	\$26,150
TOTAL WELL COST COMPLETED				\$421,500	\$99,650	\$521,150

REMARKS: See Attached Drilling Prognosis For Details
Squeeze cement existing Wolfcamp perfs 10,448-86. D/O cmt & set CIRC. Lay down rods & tbg. Move BPU. Prepare location.
Set CIBP, whipstock & cut window at 11,210'. Drill 4-5/8" hole w/ 38 degree DL to TVD 11,360'. Drill horizontal
within Strawn porosity to BHL 660' FNL & 660' FWL, MD 12,718'. Run 4" FJ liner, acidize and return to production.

Prepared By: M. Stewart Initials: MS Title: Engineer Date: 03/30/01
Approval Company: David Arrington O&G By: _____ Title: _____ Date: _____
Share %: 4.5455% Net \$ Amount: \$23,689

Hilburn No. 2 Proposal to Directionally Deepen
Lea County, New Mexico

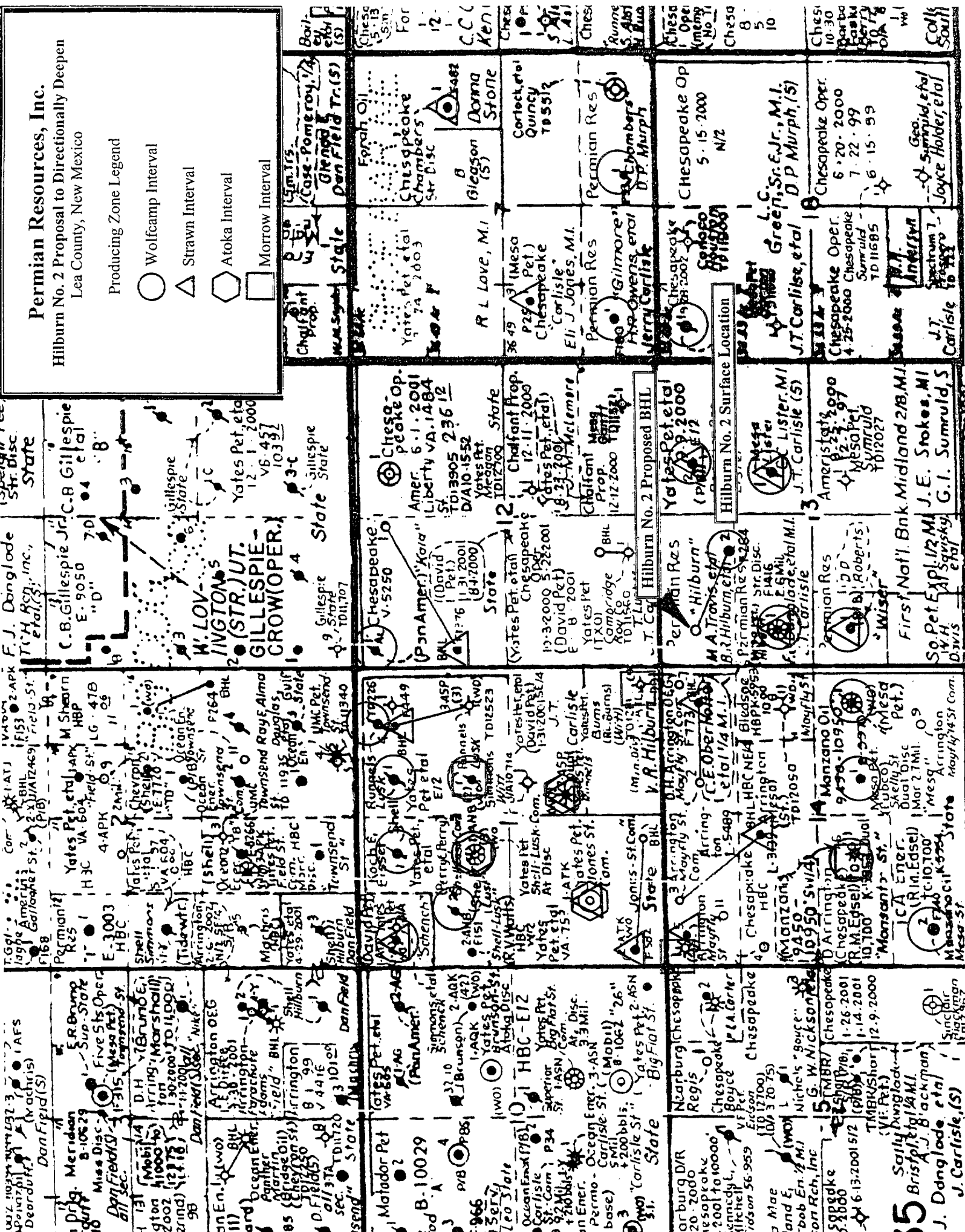
Producing Zone Legend

Wolfcamp Interval

 Δ Strawn Interval

Atoka Interval

Morrow Interval



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'	Cmt'd w/ 425 sx. Circ 75 sx.
12-1/4" hole	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 PBTB @ 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 @ $\pm 11,200'$. Set CICR @ $\pm 10,410'$. 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 @ $\pm 11,360'$ 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 $\pm 1,422'$. 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 $\pm 11,180'$ 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: UNIT C, SEC 13, T-16S, R-35E
1190' FNL & 1980' FNL

TD: 11,500'
ELEV: 3967' GL

SPUD: 8/15/85

COMPL: PERF WOLF CAMP (3 BROTHERS BANK)

W/1 JSPK @ 10,448'-50', 10,454'-74', 10,484'-486'

ACIDIZED W/7500 gals 15% H₂E-PE gelled

acid & CO₂ (65% acid / 35% CO₂)

ISIP = 100 PSI

IPF 264 BOPD, 13 BWPD, 528 MCFGPD

TUBING: 2 7/8", 6.5#, L-80, EVE 8rd @ 10,556

ANCHOR: @ 10,372' IN 14,000 # TENSOR

RODS: 168-7/8" steel rods + 165-1 1/2" Fiberflex Fx rods

PUMP: 1 1/4" x 2 1/2" x 38' RHBC HF

TOPS: YATES ~ 3137'

QUEEN ~ 3990'

SAN ANDRES ~ 4766'

GLORITA ~ 6302'

TUBB ~ 7514'

ABO ~ 8216'

WOLF CAMP ~ 9591'

WC 3 BROTHERS ~ 10,310'

WC BANK ~ 10,425'

STRAWN ~ 11,306'

ATOKA ~ 11,404'

17 1/2" hole

13 3/8" STAC

61# N-SS 209'-410'

54.5# J-SS 0-208'

2405' W/425 SX

"C" + 22 CC. (CIRC.)

12 1/4" hole

8 5/8" STAC

TOP 24# J-SS 0-2183'

BOTTOM 32# J-SS 2183'-4153'

W/ 2070 SX Pacesetter Lite "H"

+ 29% CC. + 350 SX "C" + 29% CC.

CIRC 200 SX

5 1/2"

17# N-80, LT 0-1802'

17# J-SS, LT 1802-8346'

17# N-80, LT 8346'-10,559'

20# N-80, LT 10,559-TD

@ 11,500' W/485 SX "H"

T.O.C @ TT10' (by T.S.)

Made By BAH
Checked By _____
Date 5/23/89
Page _____ of _____

Conoco Inc.
Calculation Sheet

Title HILBURN NO. 2
WELLBORE DIAGRAM

Job No. _____
Field SHOEDAR WOLF CAMP, N.
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
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised March 17, 1999

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Permian Resources, Inc. P.O. Box 590, Midland, TX 79702		² OGRID Number 25797
		³ API Number 30-025-29349
⁴ Property Code 25993	⁵ Property Name Hilburn	⁶ Well No. 2

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	16S	35E		1190	North	1980	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	16S	35E		660	North	660	West	Lea

⁹ Proposed Pool 1

¹⁰ Proposed Pool 2

North Shoe Bar (Strawn)

¹¹ Work Type Code D	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3967'
¹⁶ Multiple N	¹⁷ Proposed Depth 11,370 TVD	¹⁸ Formation Strawn	¹⁹ Contractor NA	²⁰ Spud Date 4/1/01

²¹ 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	760	7770' TS
4-5/8"	4" FJ liner	11.6	11,330	100	

²² 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

²³ 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: 3-19-01

Phone: (915) 685-0113

OIL CONSERVATION DIVISION

ORIGINAL SIGNED BY CHRIS WILLIAMS
DISTRICT I SUPERVISOR

Approved by:

Title:

Approval Date: MAR 19 2001 Expiration Date:

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-29349		2 Pool Code 56270		3 Pool Name North Shoobar (Strawn)	
4 Property Code 25993		5 Property Name Hilburn			6 Well Number 2
7 OGRID No. 25797		8 Operator Name Permian Resources, Inc.			9 Elevation 3967'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	16-S	35-E		1190	North	1980	West	Lea

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	16-S	35-E		660	North	660	West	Lea

12 Dedicated Acres 160	13 Joint or Infill Y	14 Consolidation Code	15 Order No.
---------------------------	-------------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>Proposed Hilburn No. 2 BHL</p> <p>Existing Surface Location Hilburn No. 2 NSL Order-1919</p> <p>Existing Location Hilburn No. 1 1980' FNL & 660' FWL</p> <p>North Shoobar (Strawn)</p> <p>North Shoobar (Wolfcamp)</p> <p>DHC Permit - 885</p>		<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p></p> <p>Signature</p> <p>Robert H. Marshall</p> <p>Printed Name</p> <p>President</p> <p>Title</p> <p>3-19-01</p> <p>Date</p>	
<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>March 19, 2001</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p></p> <p>Max A. Schumann, Jr.</p> <p>1510</p> <p>Certificate Number</p> <p>Job No. 66,434</p>			

Submit 3 Copies To Appropriate District
Office

District I

1625 N. French Dr., Hobbs, NM 87240

District II

811 South First, Artesia, NM 87210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

WELL API NO.

30-025-29349

5. Indicate Type of Lease

STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name:

Hilburn

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.)

1. Type of Well:

Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Permian Resources, Inc.

3. Address of Operator

P.O. Box 590, Midland, TX 79702

4. Well Location

BHL

Unit Letter D : 660 feet from the North line and 660 feet from the West line

Section 13

Township 16S

Range 35E

NMPM

LEA

County

10. Elevation (Show whether DR, RKB, RT, GR, etc.)

3967 GR

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Simultaneous Dedication ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

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 recompletion.

Administrative approval is being requested to simultaneously dedicate the proposed directionally drilled deepening Hilburn #2 wellbore.

Surface Location: 1190' FNL & 1980' FWL (C) Sec. 13, T-16S, R-35E,

Proposed bottom hole location: 660' FNL & 660' FWL (D) Sec. 13, T-16S, R-35E

and existing Hilburn #1 (1980' FNL & 660' FWL (E) Sec. 13, T-16S, R-36E) to the existing 160 acre standard North Shoe Bar (Strawn) proration unit consisting of the NW/4 of Sec. 13, T-16S, R-35E.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

TITLE President

DATE 3-20-01

Type or print name Robert H. Marshall

Telephone No. (915) 685-0113

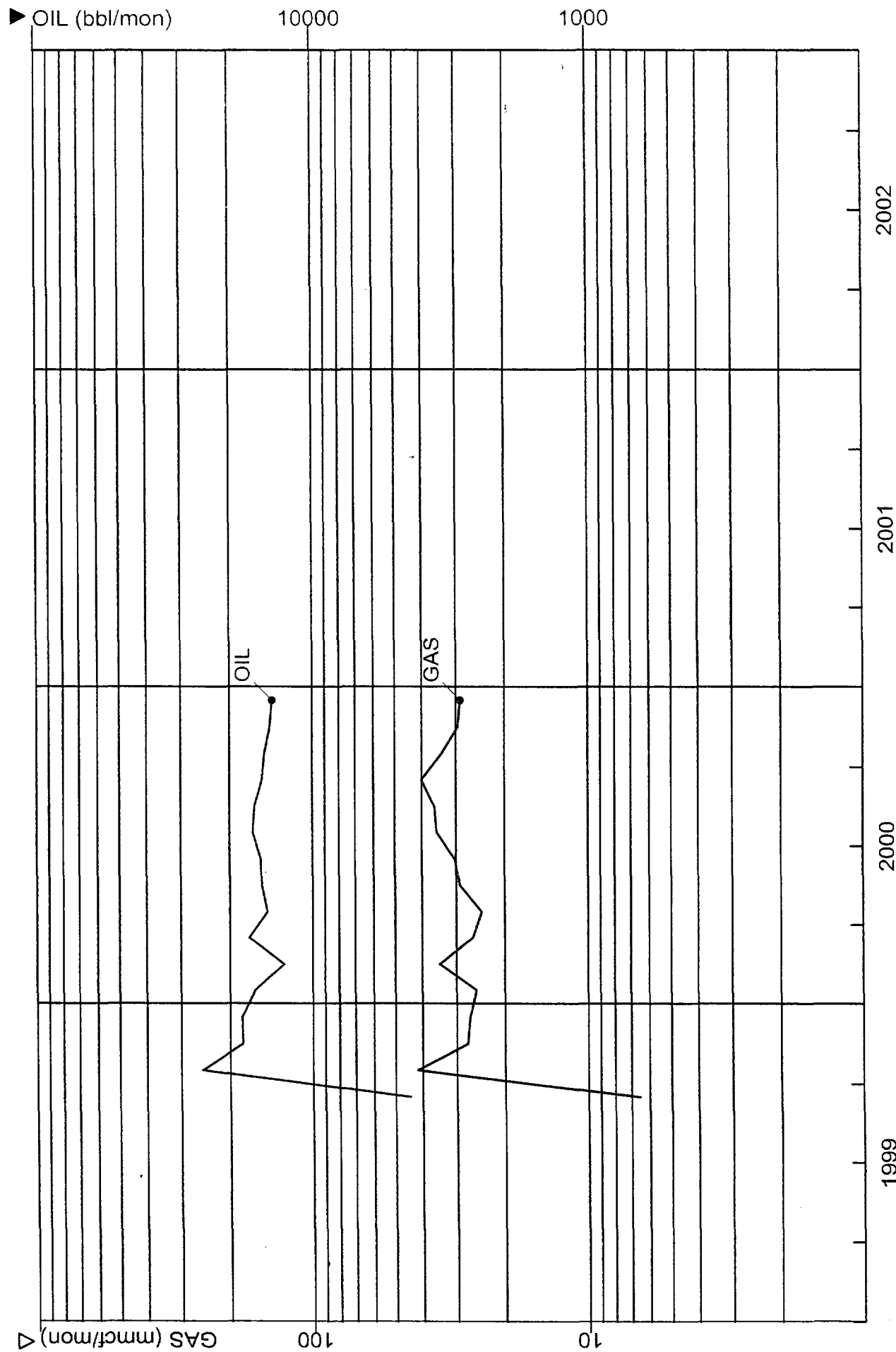
(This space for State use)

APPROVED BY

TITLE

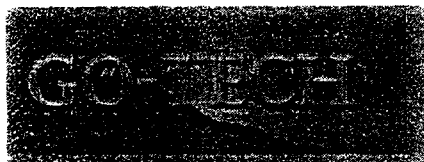
DATE

Conditions of approval, if any:



Hist Oil Cum: 247.77 mbbl

Hist Gas Cum: 475.56 mmcf


[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

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	0	0	0	0
July	0	0	0	0	0	0
August	0	0	0	0	0	0
September	4425	4425	6507	6507	0	12
October	25252	29677	41658	48165	0	31

November	17935	47612	27375	75540	0	30
December	18084	65696	26793	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
September	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, INC.

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 existing 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.

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 adjacent 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

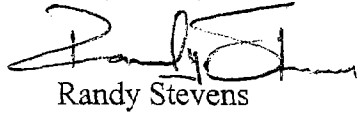
Permian Resources
Ex. No. B
NMOCD Case No. 12663
June 14, 2001

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590
608 NORTH MAIN • MIDLAND, TEXAS 79701
PHONE (915) 685-0113 • FAX (915) 685-3621

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: _____

Title: _____

PERMIAN RESOURCES, INC.
DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name: HILBURN PUD Well No.: 2 Field: SHOE BAR NORTH (STRAWN)
Well Location: 1190' FNL & 1980' FWL, BHL 660' FNL & 660' FWL Legal: SECTION 13, T16S, R35E
County: LEA State: NM Prop Depth: 11,500 feet AFE No.: _____
Obj./ Form: SQUEEZE EXISTING WOLFCAMP PERFS, KO @ 11,200' AND DRILL HORIZONTAL TO BHL. COMPLETE AND EQUIP.

CATEGORY	DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES:			
Build roads, locaton, pits & survey	\$3,500		\$3,500
Contract Drig - Mobilization	\$18,000		\$18,000
Contract Drig - Day work	\$105,950		\$105,950
Contract Drig - Footage	\$0		\$0
Bits	\$26,000		\$26,000
Fuel & Power	\$11,450		\$11,450
Completion Rig	\$10,500		\$10,500
Completion Rig		\$12,600	\$12,600
Cement Surface	\$5,000		\$5,000
Cement Production		\$7,000	\$7,000
Casing Tools and Crews	\$2,500	\$7,000	\$9,500
P & A	\$8,000		\$8,000
Open Hole Logging			\$0
Mud Logging	\$5,000		\$5,000
Cased Hole Logging		\$5,000	\$5,000
Perforating		\$0	\$0
DST/Testing	\$3,000		\$3,000
Stimulation - Acid	\$15,000	\$15,000	\$15,000
Special Services	\$75,500		\$75,500
Rentals - Surface	\$12,500		\$12,500
Rentals - BHA Equipment	\$19,000	\$2,500	\$21,500
Rentals - Drill Pipe	\$21,000	\$3,500	\$24,500
Miscellaneous Rentals	\$1,500	\$5,000	\$6,500
Mud & Chemicals	\$30,000		\$30,000
Rig Supervision	\$9,000	\$3,000	\$12,000
Trucking	\$3,500	\$2,500	\$6,000
Insurance	\$3,500		\$3,500
Overhead	\$4,500	\$1,500	\$6,000
Well Equipment - Intangible Installation	\$2,500	\$2,500	\$5,000
Lease Equipment - Intangible Installation		\$1,500	\$1,500
Contingencies @ 10.0% of Total	\$38,100	\$6,900	\$45,000
TOTAL INTANGIBLES	\$419,500	\$75,500	\$495,000
TANGIBLES:			
Well Equipment - Non Controllable	\$2,000	\$2,000	\$4,000
Surface Casing -			
ft of OD, #/ft, @ / foot	\$0		\$0
Intermediate Casing -			
ft of OD, #/ft, @ / foot	\$0		\$0
Producing Casing -		\$0	\$0
ft of OD, #/ft, @ / foot			
Liner -			
300 ft of 4" FJ OD, 12.9 #/ft, @ \$6.50 / foot		\$1,950	\$1,950
Tubing -			
2,000 ft of 2-7/8" OD, N-80 6.5 #/ft, @ \$3.85 / foot		\$7,700	\$7,700
Rods -			
ft of OD, / foot		\$0	\$0
ft of OD, / foot		\$0	\$0
Pumping Unit / Motor			
Subsurface Pumps		\$4,000	\$4,000
Other Control Subsurface		\$2,500	\$2,500
Wellhead Equipment		\$1,000	\$1,000
Lease Equipment - Non Controllable		\$1,500	\$1,500
Separators		\$0	\$0
Flowlines		\$0	\$0
Tanks			\$0
Sales Equipment/Meter Runs, etc.			\$0
Compressors			\$0
Pumps			\$0
Electrical Systems			\$1,500
Fittings			\$3,500
Other Control Lease Equipment			\$3,500
TOTAL TANGIBLES	\$2,000	\$24,150	\$26,150
TOTAL WELL COST COMPLETED	\$421,500	\$99,650	\$521,150

REMARKS: See Attached Drilling Prognosis For Details
Squeeze cement existing Wolfcamp perfs 10,448-86. D/O cmt & set CICR. Lay down rods & tbg. Move BPU. Prepare location.
Set CIBP, whipstock & cut window at 11,210'. Drill 4-3/8" hole w/ 38 degree DL to TVD 11,360'. Drill horizontal
within Strawn porosity to BHL 660' FNL & 660' FWL, Mq 12,718'. Run 4" FJ liner, acidize and return to production.

Prepared By: M. Stewart Initials: MS Title: Engineer Date: 03/30/01
Approval Company: David Arrington O&G By: _____ Title: _____ Date: _____
Share %: 4.5455% Net \$ Amount: \$23,689

Hilburn No. 2 Proposal to Directionally Deepen
Lea County, New Mexico

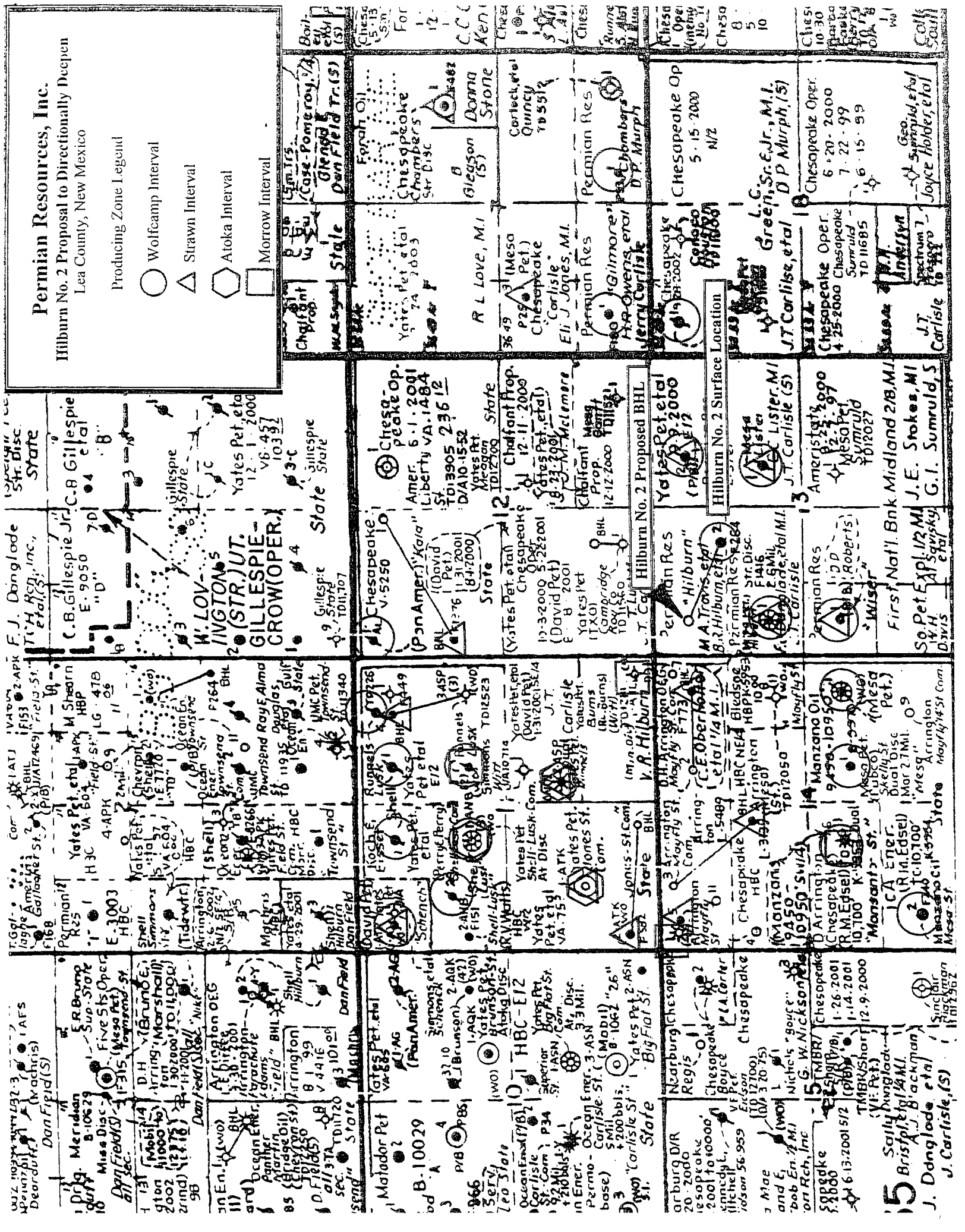
Producing Zone Legend

Wolfcamp Interval

Strawn Interval

Attack Interval

Morrow Interval



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'	Cmt'd w/ 425 sx. Circ 75 sx.
12-1/4" hole	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 PBTB @ 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 @ $\pm 11,200'$. Set CICR @ $\pm 10,410'$. 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 @ $\pm 11,360'$ 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 NMOC 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 $\pm 1,422'$. 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 $\pm 11,180'$ 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: UNIT C, SEC 13, T-16S, R-35E
1190' FNL & 1980' FNL

TD: 11,500'
ELEV: 3967' GL

SPUD: 8/15/85

COMPL: PERE WOLF CAMP (3 BROTHERS BANK)

W/1 JSPP @ 10,448'-50', 10,454'-74', 10,484'-486'

ACIDIZED W/7500 gals 15% NE-FE gelled

acid & CO₂ (65% acid / 35% CO₂)

151P = TOP SI

IPF 264 BPD, 13 BWPD, 528 MCFGPD

TUBING: 2 7/8", 6.5#, L-80, EUE 8rd @ 10,556

ANCHOR: @ 10,372' IN 14,000 # TENSION

RODS: 168-7/8" steel rods + 165-1 1/2" Fiberflex Fm rods

PUMP: 1 1/4" x 2 1/2" x 38' RHBC HF

TOPS: YATES ~ 3137'

QUEEN ~ 3990'

SAN ANDRES ~ 4766'

GLORIETA ~ 6302'

TUBB ~ 7514'

ABO ~ 8216'

WOLF CAMP ~ 9591'

WC 3 BROTHERS ~ 10,310'

WC BANK ~ 10,425'

STRAWN ~ 11,306'

ATOKA ~ 11,404'

17 1/2" hole

13 3/8" ST&C

61#, K-SS 209-410'

54.5#, J-SS 0-208'

@ 405' w/425 ss

"C" + 2% CC (circ.)

12 1/4" hole

8 5/8" ST&C

TOP 24#, J-SS 0-2183'

BOTTOM 32#, J-SS, 2183'-4153'

W/ 2030 ss Pacosether Lite "H"

+ 2% CC + 350 ss "C" + 2% CC

Circ 2005x

5 1/2"

17# N-80, LT 0-1802'

17# J-SS, LT 1802-8346'

17# N-80, LT 8346'-10,559'

20# N-80, LT 10,559-TD

@ 11,500' w/485 ss "H"

T.O.C @ TT10' (by T.S.)

Made By BAT
Checked By _____
Date 5/23/89
Page _____ of _____

Conoco Inc.
Calculation Sheet

Title HILBURN NO. 2
WELLBORE DIAGRAM

Job No. _____
Field SHOEBAR WOLF CAMP, N.
State 100 AC SPACING

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 83210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised March 17, 1999

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Permian Resources, Inc. P.O. Box 590, Midland, TX 79702		² OGRID Number 25797
		³ API Number 30-025-29349
⁴ Property Code 25993	⁵ Property Name Hilburn	⁶ Well No. 2

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	16S	35E		1190	North	1980	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	16S	35E		660	North	660	West	Lea

⁹ Proposed Pool 1 North Shoe Bar (Strawn)	¹⁰ Proposed Pool 2
---	-------------------------------

¹¹ Work Type Code D	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3967'
¹⁶ Multiple N	¹⁷ Proposed Depth 11,370 TVD	¹⁸ Formation Strawn	¹⁹ Contractor NA	²⁰ Spud Date 4/1/01

²¹ 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	760	7770' TS
4-5/8"	4" FJ liner	11.6	11,330	100	

²² 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.

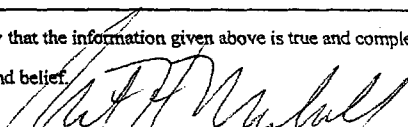
* Existing casing strings

See attached proposed procedure & existing wellbore diagram

Permit Expires 1 Year From Approval
Date Unless Drilling Underway

²³ 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: 3-19-01

Phone: (915) 685-0113

OIL CONSERVATION DIVISION

ORIGINAL SIGNED BY CHRIS WILLIAMS
Approved by: DISTRICT I SUPERVISOR

Title:

Approval Date: MAR 19 2001 Expiration Date:

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-29349	² Pool Code 56270	³ Pool Name North Shoobar (Strawn)
⁴ Property Code 25993	⁵ Property Name Hilburn	⁶ Well Number 2
⁷ OGRID No. 25797	⁸ Operator Name Permian Resources, Inc.	⁹ Elevation 3967'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	16-S	35-E		1190	North	1980	West	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	16-S	35-E		660	North	660	West	Lea

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
160	Y		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>Proposed Hilburn No. 2 BHL</p> <p>Existing Surface Location Hilburn No. 2 NSL Order-1919</p> <p>Existing Location Hilburn No. 1 1980' ENL & 660' FWL</p> <p>North Shoobar (Strawn)</p> <p>North Shoobar (Wolfcamp)</p> <p>DHC Permit - 885</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p></p> <p>Signature Robert H. Marshall Printed Name President Title 3-19-01 Date</p>	
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>March 19, 2001</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p></p> <p>Max A. Schumann, Jr. 1510 Certificate Number Job No. 66,434</p>	

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 87240
District II
811 South First, Artesia, NM 87210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

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.)	
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>	WELL API NO. 30-025-29349
2. Name of Operator Permian Resources, Inc.	5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
3. Address of Operator P.O. Box 590, Midland, TX 79702	6. State Oil & Gas Lease No.
4. Well Location BHL Unit Letter D : 660 feet from the North line and 660 feet from the West line Section 13 Township 16S Range 35E NMPM LEA County	7. Lease Name or Unit Agreement Name: Hilburn
10. Elevation (Show whether DR, RKB, RT, GR, etc.) 3967 GR	8. Well No. 2
	9. Pool name or Wildcat North Shoe Bar (Strawn)

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>
OTHER: Simultaneous Dedication <input checked="" type="checkbox"/>	OTHER: <input type="checkbox"/>

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 recompletion.

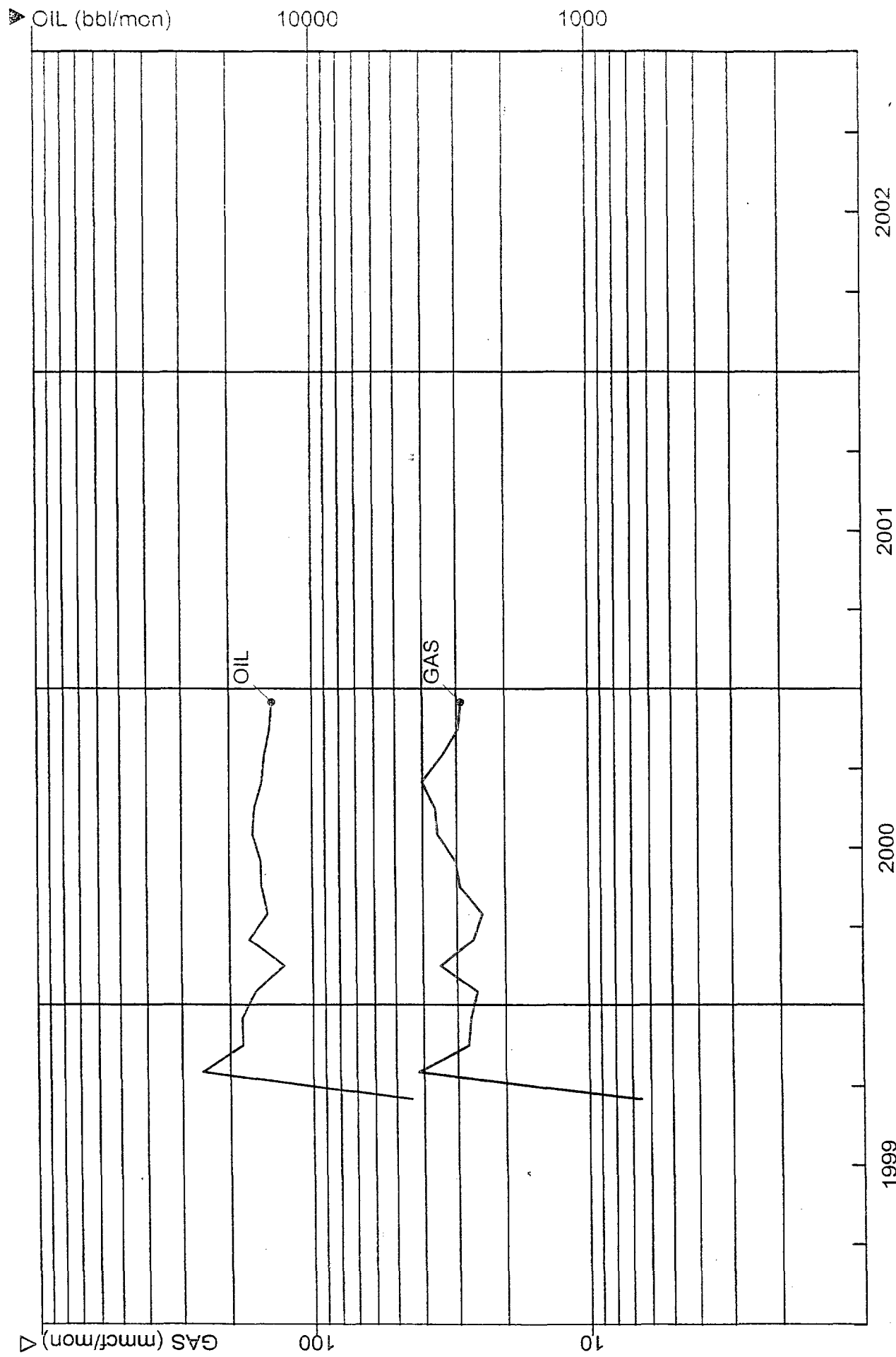
Administrative approval is being requested to simultaneously dedicate the proposed directionally drilled deepening Hilburn #2 wellbore.
Surface Location: 1190' FNL & 1980' FWL (C) Sec. 13, T-16S, R-35E,
Proposed bottom hole location: 660' FNL & 660' FWL (D) Sec. 13, T-16S, R-35E
and existing Hilburn #1 (1980' FNL & 660' FWL (E) Sec. 13, T-16S, R-36E) to the existing 160 acre standard North Shoe Bar (Strawn) proration unit consisting of the NW/4 of Sec. 13, T-16S, R-35E.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Robert H. Marshall TITLE President DATE 3-20-01

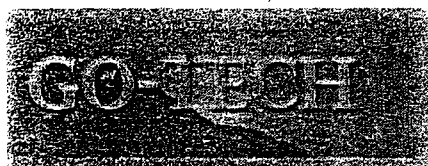
Type or print name Robert H. Marshall Telephone No. (915) 685-0113
(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____
Conditions of approval, if any:



Hist Gas Cum: 475.56 mmcf

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

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	0	0	0	0
July	0	0	0	0	0	0
August	0	0	0	0	0	0
September	4425	4425	6507	6507	0	12
October	25252	29677	41658	48165	0	31

November	17935	47612	27375	75540	0	30
December	18084	65696	26793	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
September	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, INC.

JUN 18 2001

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.

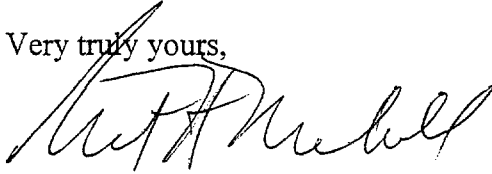
Permian Resources
Ex. No. C
NMOCD Case No. 12663
June 14, 2001

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,

A handwritten signature in black ink, appearing to read "Robert H. Marshall", written in a cursive style.

Robert H. Marshall

ms/

Enclosures

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 87240
District II
811 South First, Artesia, NM 87210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

WELL API NO.
30-025-29349

5. Indicate Type of Lease

STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name:

Hilburn

8. Well No.

2

9. Pool name or Wildcat

North Shoe Bar (Strawn)

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.)

1. Type of Well:

Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Permian Resources, Inc.

3. Address of Operator

P. O. Box 590, Midland, TX 79702

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 Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☒

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Withdraw Prior Permit ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

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.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Robert H. Marshall TITLE President

DATE June 10, 01

Type or print name Robert H. Marshall

Telephone No. (915) 685-0113

(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____

Conditions of approval, if any:

DAVID H. ARRINGTON OIL & 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,

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 Shober 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,

A handwritten signature in black ink, appearing to read 'D. Arrington', written in a cursive style.

David H. Arrington

PERMIAN RESOURCES, INC.

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.

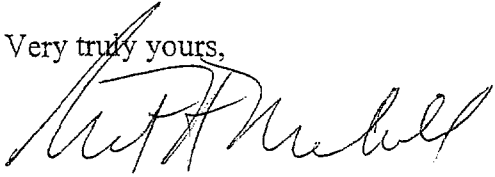
Permian Resources
Ex. No. C
NMOCD Case No. 12663
June 14, 2001

P.O. BOX 590 • MIDLAND
608 NORTH MAIN • MIDLAND
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,

A handwritten signature in cursive script, appearing to read "Robert H. Marshall".

Robert H. Marshall

ms/

Enclosures

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 87240
District II
811 South First, Artesia, NM 87210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

WELL API NO. 30-025-29349
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name: Hilburn
8. Well No. 2
9. Pool name or Wildcat North Shoe Bar (Strawn)

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.)	
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	
2. Name of Operator Permian Resources, Inc.	
3. Address of Operator P. O. Box 590, Midland, TX 79702	
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 Appropriate Box to Indicate Nature of Notice, Report or Other Data	
NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input checked="" type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: Withdraw Prior Permit <input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>

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.

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I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Robert H. Marshall TITLE President DATE June 10, 01

Type or print name Robert H. Marshall Telephone No. (915) 685-0113
(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____
Conditions of approval, if any:

„ DAVID H. ARRINGTON OIL & 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,

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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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,

A handwritten signature in dark ink, appearing to read 'D. Arrington', written in a cursive style.

David H. Arrington

PERMIAN RESOURCES, INC.

June 11, 2001

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

RECEIVED
JUN 18 2001

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:

- 1 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.
- 2 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 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 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. P

NMOCD Case No. 12663

June 14, 2001

P.O. BOX 590 • MIDLAND
608 NORTH MAIN • MIDL
PHONE (915) 685-0113 •

location of 1,980' FNL and 1,980' FWL, Section 13, T16S, R35E. Such waiver would provide for **no** 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, INC.

TO:

DILL BAKER, JR

COMPANY:

DAVID ARRINGTON OF G

FAX#:

682-4139

NO. COPIES (INCLUDING COVER):

3

DATE:

6/11/01

FROM:

JOE MARSHALL

TELEPHONE:

915-685-0113

FAX:

915-685-3621

ADDRESS:

**P. O. BOX 590
MIDLAND, TEXAS 79702**

MESSAGES:

PERMIAN RESOURCES, INC.

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:

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Permian Resources

Ex. No. P

NMOCD Case No. 12663

June 14, 2001

P.O. BOX 590 • MIDLAND
608 NORTH MAIN • MIDL
PHONE (915) 685-0113 •

location of 1,980' FNL and 1,980' FWL, Section 13, T16S, R35E. Such waiver would provide for no 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.

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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, INC.

TO:

BILL BAKER JR

COMPANY:

DAVID ARRINGTON OF G

FAX#:

682-4139

NO. COPIES (INCLUDING COVER):

3

DATE:

6/11/01

FROM:

JOE MARSHALL

TELEPHONE:

915-685-0113

FAX:

915-685-3621

ADDRESS:

**P. O. BOX 590
MIDLAND, TEXAS 79702**

MESSAGES:

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:

- 1 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.
- 2 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. E

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 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,



Bill Baker Jr.
Exploration Manager

Agreed and accepted this ____ day of June, 2001

Permain Resources, Inc.

By: _____

Name: _____

Title: _____

David H. Arrington Oil & Gas, Inc.

214 W. Texas, Suite 400, Midland, Texas 79701 915-682-6685 915-682-4139 Fax

Fax

To: Mike Stewart

From: Bill Baker

Fax: 685-3621

Pages: 3

Phone: 682-6685

Date: 6-12-01

Re:

CC:

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

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Permian Resources

Ex. No. E

NMOCD Case No. 12663

June 14, 2001

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Bill Baker Jr.
Exploration Manager

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Permian Resources, Inc.

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David H. Arrington Oil & Gas, Inc.

214 W. Texas, Suite 400, Midland, Texas 79701 915-682-6685 915-682-4139 Fax

Fax

To: Mike Stewart

From: Bill Baker

Fax: 685-3621

Pages: 3

Phone: 682-6685

Date: 6-12-01

Re:

CC:

PERMIAN RESOURCES, INC.

June 11, 2001

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

RECEIVED
JUN 18 2001

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.

Sincerely,



Robert H. Marshall

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

PERMIAN RESOURCES, INC.

Acknowledgement of Receipt of Delivery

This document shall serve as acknowledgement that _____
(individual)

received on behalf of **David Arrington Oil & Gas, Inc.**, whose address is
(company)

P. O. Box 2071, **Midland**, **Texas**, **79702**,
(address) (city) (state) (zip)

the following documents via hand delivery:

Hilburn No. 3 Authority for Expenditure (AFE) and transmittal letter.

Date of Delivery: _____

Received By: _____

PERMIAN RESOURCES, INC.

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 withdraws 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 &

Gas, Inc. – Mayfly “14” State Com. No. 2 well. The Mayfly “14” State Com. No. 2 was drilled as a $\pm 1,214'$ 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.

Very truly yours,



Robert H. Marshall

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 HORIZONTAL INFILL Well No.: 3 Field: SHOE BAR, NORTH (STRAWN)
Well Location: 660' FNL & 510' FWL; BHL 1980' FNL & 1980' FWL Legal: SECTION 13, T16S, R35E
County: LEA State: NM Prop Depth: 11,500 feet AFE No.: _____
Obj./ Form. DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQUIP 11,500' STRAWN PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES:						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drig - Mobilization				\$30,000		\$30,000
Contract Drig - Day work	34.0 days @	\$12,000 /day		\$408,000		\$408,000
Contract Drig - Day work	13.0 days @	\$12,000 /day			\$156,000	\$156,000
Contract Drig - Footage	feet @	/foot		\$0		\$0
Bits				\$51,000	\$26,500	\$77,500
Fuel & Power	\$42,300	Water	\$15,000	\$41,451	\$15,849	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$20,000				\$20,000	\$20,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$15,000	Coring		\$15,000		\$15,000
Cased Hole Logging					\$8,000	\$8,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$8,000		\$8,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD			\$75,500	\$75,500
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$2,500	\$18,500	\$21,000
Rentals - Drill Pipe	\$21,000	Tubing	BOP/CK \$3,500		\$24,500	\$24,500
Miscellaneous Rentals	Frac Tanks			\$1,500	\$5,000	\$6,500
Mud & Chemicals				\$20,000	\$15,000	\$35,000
Rig Supervision	\$500.00 /day	34 Drill	19 Complete	\$17,000	\$9,500	\$26,500
Trucking				\$2,000	\$2,500	\$4,500
Insurance				\$9,500		\$9,500
Overhead	\$250.00 /day	34 Drill	19 Complete	\$8,500	\$4,750	\$13,250
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0% of Total			\$71,100	\$43,100	\$114,200
TOTAL INTANGIBLES				\$782,551	\$473,799	\$1,256,350
TANGIBLES:						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of 13-3/8 LS	OD,	48 #/ft, @	\$18.00 / foot	\$8,100		\$8,100
Intermediate Casing -						
4,200 ft of 8-5/8"	OD,	24 & 32 #/ft, @	\$11.50 / foot	\$48,300		\$48,300
Producing Casing -						
11,400 ft of 5-1/2"	OD,	17 & 20 #/ft, @	\$9.00 / foot		\$102,600	\$102,600
Liner -						
300 ft of 4" FJ	OD,	12.9 #/ft, @	\$6.50 / foot		\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8"	OD,	N-80 6.5 #/ft, @	\$3.85 / foot		\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG	OD,		\$3.00 / foot		\$19,800	\$19,800
4,400 ft of 7/8" & 1.5"	OD,		\$2.00 / foot		\$8,800	\$8,800
Pumping Unit / Motor	API Size	640 Used	Motor HP	50	\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$5,000	Tbg Head	\$10,000	Valves	\$4,500	\$19,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters	\$3,000	Dehyd		\$5,500
Flowlines	1,500	ft of	3" Steel OD, @	\$3.50 / foot	\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
TOTAL TANGIBLES				\$61,400	\$280,790	\$342,190
TOTAL WELL COST COMPLETED				\$843,951	\$754,589	\$1,598,540

REMARKS: See Attached Drilling Prognosis For Details
 Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Drill 12-1/4" intermediate hole to 4,200' and set 8-5/8" casing.
 Drill 7-7/8" production hole to 11,400' log and evaluate Strawn (D&T costs). Run & cmt 5-1/2" casing at 11,400'. DO & KO horiz.
 Drill to TVD 11,360', MD 13,200' to approximate BHL 1980' FNL & 1980' FWL. Run 4" FJ liner, acidize and equip w/ BPU.

Prepared By: M. Stewart Initials: [Signature] Title: Engineer Date: 06/11/01
 Approval Company: David Arrington O&G By: _____ Title: _____ Date: _____
 Share %: 4.5455% Net S Amount: \$72,662

PERMIAN RESOURCES, INC.
DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name: HILBURN HORIZONTAL INFILL Well No.: 3 Field: SHOE BAR, NORTH (STRAWN)
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Obj./ Form. DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQUIP 11,500' STRAWN PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES:						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	34.0 days @	\$12,000 /day		\$408,000		\$408,000
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Casing Tools and Crews				\$5,500	\$7,000	\$12,500
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Cased Hole Logging					\$8,000	\$8,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$8,000		\$8,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD			\$75,500	\$75,500
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
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Rentals - Drill Pipe	\$21,000	Tubing	BOP/CK \$3,500		\$24,500	\$24,500
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Intermediate Casing -						
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Producing Casing -						
11,400 ft of 5-1/2" OD,	17 & 20 #/ft, @	\$9.00 / foot			\$102,600	\$102,600
Liner -						
300 ft of 4" FJ OD,	12.9 #/ft, @	\$6.50 / foot			\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8" OD,	N-80 6.5 #/ft, @	\$3.85 / foot			\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG OD,		\$3.00 / foot			\$19,800	\$19,800
4,400 ft of 7/8" & 1.5" OD,		\$2.00 / foot			\$8,800	\$8,800
Pumping Unit / Motor	API Size 640 Used	Motor HP 50			\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$5,000	Tbg Head \$10,000	Valves \$4,500	\$5,000	\$14,500	\$19,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters \$3,000	Dehyd		\$5,500	\$5,500
Flowlines	1,500 ft of	3" Steel OD, @	\$3.50 / foot		\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
TOTAL TANGIBLES				\$61,400	\$280,790	\$342,190
TOTAL WELL COST COMPLETED				\$843,951	\$754,589	\$1,598,540

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Drill to TVD 11,360', MD 13,200' to approximate BHL 1980' FNL & 1980' FWL. Run 4" FJ liner, acidize and equip w/ BPU.

Prepared By: M. Stewart Initials: MS Title: Engineer Date: 06/11/01
Approval Company: David Arrington O&G By: _____ Title: _____ Date: _____
Share %: 4.5455% Net S Amount: \$72,662

DAVID H. ARRINGTON OIL & 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,

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,

A handwritten signature in dark ink, appearing to read 'D. Arrington', written in a cursive style.

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 @ ± 4,200'	8-5/8" 32 & 24 #/ft casing @ ±4,200'	Cmt w/ ±2100 sx Lite lead + 400 sx "C" + 2% CaCl tail. Sufficient to circulate to surface.
7-7/8" hole @ ± 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		

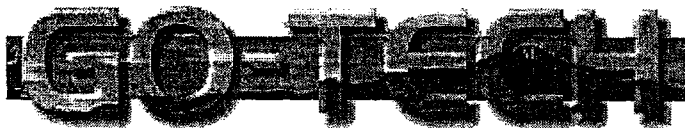
Abbreviated Proposed Procedure

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 accommodate 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.

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 ± 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 ± 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 $\pm 11,400'$ 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 additives. 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 @ $\pm 11,200'$
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 @ $\pm 11,360'$ 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 $\pm 1,976'$. If required, run 4" FJ Liner from $\pm 11,180'$ 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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Updated 6/8/01

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Well: MAYFLY 14 STATE COM **No.:** 002
Operator: DAVID H ARRINGTON OIL & GAS INC
API: 3002534630 **Township:** 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

PERMIAN RESOURCES, INC.

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.

Sincerely,



Robert H. Marshall

Permian Resources
Ex. No. 15
NMOCD Case No. 12663
June 14, 2001

PERMIAN RESOURCES, Inc.

Acknowledgement of Receipt of Delivery

This document shall serve as acknowledgement that _____
(individual)

received on behalf of David Arrington Oil & Gas, Inc., whose address is
(company)

P. O. Box 2071, Midland, Texas, 79702,
(address) (city) (state) (zip)

the following documents via hand delivery:

Hilburn No. 3 Authority for Expenditure (AFE) and transmittal letter.

Date of Delivery: _____

Received By: _____

PERMIAN RESOURCES, INC.

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 withdraws 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 &

Gas, Inc. – Mayfly “14” State Com. No. 2 well. The Mayfly “14” State Com. No. 2 was drilled as a $\pm 1,214'$ 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.

Very truly yours,



Robert H. Marshall

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

Lense Name: HILBURN HORIZONTAL INFILL Well No.: 3 Field: SHOE BAR. NORTH (STRAWN)
Well Location: 660' FNL & 510' FWL; BHL 1980' FNL & 1980' FWL Legal: SECTION 13, T16S, R35E
County: LEA State: NM Prop Depth: 11,500 feet AFE No.:
Obj./ Form: DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQUIP 11,500' STRAWN PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES:						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	34.0 days @	\$12,000 /day		\$408,000		\$408,000
Contract Drlg - Day work	13.0 days @	\$12,000 /day			\$156,000	\$156,000
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$51,000	\$26,500	\$77,500
Fuel & Power \$42,300	Water \$15,000			\$41,451	\$15,849	\$57,300
Completion Rig 6 days @	\$2,100 /day				\$12,600	\$12,600
Cement Surface \$5,500	Cement Intermediate	\$20,000		\$25,500		\$25,500
Cement Production	\$20,000				\$20,000	\$20,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging \$15,000	Coring			\$15,000		\$15,000
Cased Hole Logging					\$8,000	\$8,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$8,000		\$8,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services	Directional Services, Motors, MWD				\$75,500	\$75,500
Rentals - Surface	Rotating Head, Gas Sep., Housing			\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment	Whipstock, Pkrs., X-overs, Valves			\$2,500	\$18,500	\$21,000
Rentals - Drill Pipe	\$21,000	Tubing	BOP/CK \$3,500		\$24,500	\$24,500
Miscellaneous Rentals	Frac Tanks			\$1,500	\$5,000	\$6,500
Mud & Chemicals				\$20,000	\$15,000	\$35,000
Rig Supervision \$500.00 /day	34 Drill	19 Complete		\$17,000	\$9,500	\$26,500
Trucking				\$2,000	\$2,500	\$4,500
Insurance				\$9,500		\$9,500
Overhead \$250.00 /day	34 Drill	19 Complete		\$8,500	\$4,750	\$13,250
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @ 10.0% of Total				\$71,100	\$43,100	\$114,200
TOTAL INTANGIBLES				\$782,551	\$473,799	\$1,256,350
TANGIBLES:						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of 13-3/8 LS OD,	48 #/ft. @	\$18.00 / foot		\$8,100		\$8,100
Intermediate Casing -						
4,200 ft of 8-5/8" OD,	24 & 32 #/ft. @	\$11.50 / foot		\$48,300		\$48,300
Producing Casing -						
11,400 ft of 5-1/2" OD,	17 & 20 #/ft. @	\$9.00 / foot			\$102,600	\$102,600
Liner -						
300 ft of 4" FJ OD,	12.9 #/ft. @	\$6.50 / foot			\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8" OD,	N-80 6.5 #/ft. @	\$3.85 / foot			\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG OD,		\$3.00 / foot			\$19,800	\$19,800
4,400 ft of 7/8" & 1.5" OD,		\$2.00 / foot			\$8,800	\$8,800
Pumping Unit / Motor	API Size 640 Used	Motor HP 50			\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$5,000	Tbg Head \$10,000	Valves \$4,500	\$5,000	\$14,500	\$19,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters \$3,000	Dehyd		\$5,500	\$5,500
Flowlines	1,500	ft of 3" Steel OD, @	\$3.50 / foot		\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
TOTAL TANGIBLES				\$61,400	\$280,790	\$342,190
TOTAL WELL COST COMPLETED				\$843,951	\$754,589	\$1,598,540

REMARKS: See Attached Drilling Prognosis For Details
Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Drill 12-1/4" intermediate hole to 4,200' and set 8-5/8" casing.
Drill 7-7/8" production hole to 11,400' log and evaluate Strawn (D&T costs). Run & cmt 5-1/2" casing at 11,400'. DO & KO horiz.
Drill to TVD 11,360', MD 13,200' to approximate BHL 1980' FNL & 1980' FWL. Run 4" FJ liner, acidize and equip w/ BPU.

Prepared By: M. Stewart Initials: [Signature] Title: Engineer Date: 06/11/01
Approval Company: David Arrington O&G By: Title: Date:
Share %: 4.5455% Net \$ Amount: \$72,662

PERMIAN RESOURCES, INC.
DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name: HILBURN HORIZONTAL INFILL Well No.: 3 Field: SHOE BAR, NORTH (STRAWN)
 Well Location: 660' FNL & 510' FWL: BHL 1980' FNL & 1980' FWL Legal: SECTION 13, T16S, R35E
 County: LEA State: NM Prop Depth: 11,500 feet AFE No.: _____
 Obj./ Form: DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQUIP 11,500' STRAWN PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL & TEST	COMPLETION	TOTAL
INTANGIBLES:						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	34.0 days @	\$12,000 /day		\$408,000		\$408,000
Contract Drlg - Day work	13.0 days @	\$12,000 /day			\$156,000	\$156,000
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$51,000	\$26,500	\$77,500
Fuel & Power \$42,300	Water	\$15,000		\$41,451	\$15,849	\$57,300
Completion Rig 6 days @	\$2,100 /day				\$12,600	\$12,600
Cement Surface \$5,500	Cement Intermediate	\$20,000		\$25,500		\$25,500
Cement Production	\$20,000				\$20,000	\$20,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging \$15,000	Coring			\$15,000		\$15,000
Cased Hole Logging					\$8,000	\$8,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$8,000		\$8,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services	Directional Services, Motors, MWD				\$75,500	\$75,500
Rentals - Surface	Rotating Head, Gas Sep., Housing			\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment	Whipstock, Pkrs., X-overs, Valves			\$2,500	\$18,500	\$21,000
Rentals - Drill Pipe	\$21,000	Tubing	BOP/CK \$3,500		\$24,500	\$24,500
Miscellaneous Rentals	Frac Tanks			\$1,500	\$5,000	\$6,500
Mud & Chemicals				\$20,000	\$15,000	\$35,000
Rig Supervision \$500.00 /day	34 Drill	19 Complete		\$17,000	\$9,500	\$26,500
Trucking				\$2,000	\$2,500	\$4,500
Insurance				\$9,500		\$9,500
Overhead \$250.00 /day	34 Drill	19 Complete		\$8,500	\$4,750	\$13,250
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @ 10.0% of Total				\$71,100	\$43,100	\$114,200
TOTAL INTANGIBLES				\$782,551	\$473,799	\$1,256,350
TANGIBLES:						
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Surface Casing -						
450 ft of 13-3/8 LS OD,	48 #/ft, @	\$18.00 / foot		\$8,100		\$8,100
Intermediate Casing -						
4,200 ft of 8-5/8" OD,	24 & 32 #/ft, @	\$11.50 / foot		\$48,300		\$48,300
Producing Casing -						
11,400 ft of 5-1/2" OD,	17 & 20 #/ft, @	\$9.00 / foot			\$102,600	\$102,600
Liner -						
300 ft of 4" FJ OD,	12.9 #/ft, @	\$6.50 / foot			\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8" OD,	N-80 6.5 #/ft, @	\$3.85 / foot			\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG OD,		\$3.00 / foot			\$19,800	\$19,800
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Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators \$2,500	Treaters \$3,000	Dehyd			\$5,500	\$5,500
Flowlines 1,500	ft of 3" Steel OD, @	\$3.50 / foot			\$5,250	\$5,250
Tanks	2 - 500 Bbl Oil Tanks Used				\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
TOTAL TANGIBLES				\$61,400	\$280,790	\$342,190
TOTAL WELL COST COMPLETED				\$843,951	\$754,589	\$1,598,540

REMARKS: See Attached Drilling Prognosis For Details
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 Drill 7-7/8" production hole to 11,400' log and evaluate Strawn (D&T costs). Run & cmt 5-1/2" casing at 11,400'. DO & KO horiz.
 Drill to TVD 11,360', MD 13,200' to approximate BHL 1980' FNL & 1980' FWL. Run 4" FJ liner, acidize and equip w/ BPU.

Prepared By: M. Stewart Initials: MS Title: Engineer Date: 06/11/01
 Approval
 Company: David Arrington O&G By: _____ Title: _____ Date: _____
 Share %: 4.5455% Net S Amount: \$72,662

DAVID H. ARRINGTON OIL & 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,

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.

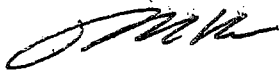
Further, it is our understanding that the Hilburn #1 Strawn producer is in the Shoebar North Strawn Field which calls for 160 acre proration units, and the NW/4 is the spacing unit for the

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,

A handwritten signature in dark ink, appearing to read 'D. Arrington', written in a cursive style.

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 @ ± 4,200'	8-5/8" 32 & 24 #/ft casing @ ±4,200'	Cmt w/ ±2100 sx Lite lead + 400 sx "C" + 2% CaCl tail. Sufficient to circulate to surface.
7-7/8" hole @ ± 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.

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 ± 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 ± 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 $\pm 11,400'$ 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 additives. 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 @ $\pm 11,200'$
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 @ $\pm 11,360'$ 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 $\pm 1,976'$. If required, run 4" FJ Liner from $\pm 11,180'$ 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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NYMEX WTI \$28.17
Navajo WTI \$24.50
Henry Hub \$3.79

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Well: MAYFLY 14 STATE COM **No.:** 002
Operator: DAVID H ARRINGTON OIL & GAS INC
API: 3002534630 **Township:** 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

PERMIAN RESOURCES, INC.

Acknowledgement of Receipt of Delivery

This document shall serve as acknowledgement that Shawna Slough
(individual)

received on behalf of David Arrington Oil & Gas, Inc., whose address is
(company)

P. O. Box 2071, Midland, Texas, 79702
(address) (city) (state) (zip)

the following documents via hand delivery:

Hilburn No. 3 Authority for Expenditure (AFE) and transmittal letter.

Date of Delivery:

6-13-01

Received By:

Shawna Slough

Permian Resources
Ex. No. 6
NMOCD Case No. 12663
June 14, 2001

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