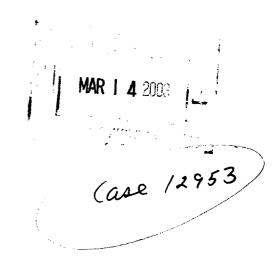
PERMIAN RESOURCES, INC. A

March 12, 2003

State of New Mexico Energy, Minerals and Natural Resources Department Oil Conservataion Division 1220 South St. Francis Santa Fe, New Mexico 87505



Re: CHAMBERS #2

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Gentlemen:

Pursuant to Order No. R-11896, please find your copies of the information sent to the non-consenting working interest owners for the referenced well.

If you have any questions, please advise.

Sincerely,

William L. Porter, CPL

Land Manager

WLP:ls Encl.

PERMIAN RESOURCES, INC.

March 12, 2003

Sotirios Papadopoulos Lot 4, Whitebread Place North Rocks 2151 Sydney, Australia

Re:

CHAMBERS #2

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Dear Mr. Papadopoulos:

Pursuant to Order No. R-11896 of the State of New Mexico Energy, Minerals and Natural Resource Department, Oil Conservation Division, please find enclosed an Authority for Expenditure to drill the subject well. At this time you are a non-consenting working interest owner. You have thirty (30) days from the receipt of this letter to elect either to participate or be non-consent subject to the above described order. A copy of the order is enclosed for your reference.

Please so indicate below your election of the proposed operation for drilling the referenced well. A self-addressed, stamped envelope has been enclosed for your convenience.

If you have any questions, please do not hesitate to call.

Sincerely,

William L. Porter, C

Land Manager

WLP:ls Encl.

Page 2 Chambers #2 03/12/03

Y	es, I/we elect to participate.
N	No, I/we elect not to participate.
Sotirios Papadopoulos	

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

RECEIVED

FEB 12 2003

MILLER STRATVERT, P.A.

CASE NO. 12953 ORDER NO. R-11896

APPLICATION OF PERMIAN RESOURCES, INC. FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION, DESIGNATION OF A SPECIAL PROJECT AREA, AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002 before Examiner David K. Brooks.

NOW, on this 10th day of February, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Applicant seeks an order pooling all uncommitted mineral interests in the Strawn formation only, underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit (the "80-Acre Unit" or "Unit") as to the Northeast Shoe Bar-Strawn Pool.
- (3) In addition, Applicant seeks approval of an unorthodox location, establishment of a special project area for a proposed horizontal completion, and approval for simultaneous dedication as set forth below.
- (4) Applicant proposes to dedicate the 80-Acre Unit to its proposed Chambers Well No. 2 ("the proposed well") to be drilled in the S/2 SE/4 of Section 7, at an unorthodox surface location 1,038 feet from the South line and 802 feet from the East line (Unit P) of Section 7. The proposed well will be drilled vertically to a depth of approximately 10,200 feet, then kicked off in a westerly direction to an unorthodox Strawn bottom-hole location approximately 950 feet from the South line and 1,500 feet from the East line (Unit O) of Section 7.

- (5) Applicant expects to encounter the Strawn formation in the proposed well at a subsurface location approximately 1,000 feet from the South line and 1,025 feet from the East line of Section 7, and then drill approximately 500 feet horizontally into the Strawn. The proposed lateral will lie entirely outside the producing area for the proposed Unit in the Northeast Shoe Bar-Strawn Pool.
- (6) In support of its application for approval of an unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool, Applicant presented geologic testimony that:
 - (a) Applicant's objective in the Strawn is to locate and tap into algal mounds;
 - (b) these algal mounds are typically of small extent but tend to be very prolific producers:
 - (c) 3-D seismic and other geologic evidence indicate the existence of such an algal mound in the Strawn under the North part of the S/2 SE/4 of Section 7; and
 - (d) a well drilled to the Strawn in the N/2 SE/4 of Section 7, or at a standard location in the S/2 SE/4 of Section 7, would most likely not encounter the targeted algal mound.
- (7) Applicant presented land testimony to the effect that Applicant is the operator of, and owns the entire working interest in, the N/2 SE/4 of Section 7, the only Strawn spacing unit toward which the unorthodox location of the proposed well would encroach.
- (8) The unorthodox location of the proposed well in the Strawn, involving a producing interval from a projected penetration location approximately 1,000 feet from the South line and 1,025 feet from the East line to a projected bottom-hole location 950 feet from the South line and 1,500 feet from the East line of Section 7, should be approved, and a special project area should be created in the Strawn formation to consist of the S/2 SE/4 of Section 7.
- (9) In addition or as an alternative to completion in the Strawn, Applicant proposes to complete the proposed well in the Wolfcamp at a location stated to be 950 feet from the South line and 1,500 feet from the East line of Section 7, a location that would be unorthodox in the North Shoe Bar-Wolfcamp Pool. Applicant proposes to simultaneously dedicate the 160-Acre Wolfcamp Unit ("the 160-Acre Unit") originally

established by Order No. R-11682, issued in Case No. 12715, and restored by Order No. R-11682-A issued in Case No. 12954, to its Chambers Well No. 1 (API No. 30-025-24617) and to the proposed well.

- (10) Applicant presented evidence to the effect that all the owners of interests in the 80-Acre Unit and the 160-Acre Unit are the same persons, although their ownership percentages in the respective units differ.
- (11) Although the application seeks approval of an unorthodox location in the Wolfcamp 950 feet from the South line and 1,500 feet from the East line, the testimony concerning the plan of drilling indicates that the probable location at which the proposed well will encounter the Wolfcamp will more closely approximate 1,000 feet from the East line of the Section, rather than 1,500 feet.
- (12) The probable down-hole location of the proposed well in the Wolfcamp is unorthodox for the North Shoe Bar-Wolfcamp Pool. However, it deviates from the standard location toward the interior of the spacing unit and does not encroach toward any adjacent spacing unit.
- (13) The North Shoe Bar-Wolfcamp Pool is a prorated pool with a depth bracket allowable of 560 barrels. There is no restriction on the number of wells that may be drilled on a proration unit, and the operator may produce the unit allowable from wells on the unit in any proportion.
- (14) In the event that the proposed well proves productive in the Wolfcamp, approval of the proposed unorthodox Wolfcamp location of the proposed well, which is driven by the anticipated geology of the Strawn, will prevent waste by obviating the necessity of drilling an additional well to the Wolfcamp, and will not infringe upon correlative rights.
- (15) The unorthodox down-hole location of the proposed well in the Wolfcamp should be approved. Because the number of wells in a spacing unit in the North Shoe Bar-Wolfcamp Pool is not restricted, no approval is required for the simultaneous dedication of the 160-Acre Unit to the Chambers Well No. 1 and to the proposed well.
- (16) Two or more separately owned tracts are embraced within the 80-Acre Unit, and/or there are owners of royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the 80-Acre Unit that are separately owned.
- (17) Applicant is an owner of an oil and gas working interest within the 80-Acre Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the 80-Acre Unit.

- (18) There are interest owners in the 80-Acre Unit that have not agreed to pool their interests.
- (19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the 80-Acre Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the 80-Acre Unit.
- (20) Applicant should be designated the operator of the proposed well and the 80-Acre Unit.
 - (21) The Unit should be dedicated to the proposed well.
- (22) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the property to be pooled, including unleased mineral interests, who are not parties to an operating agreement governing that property.) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs of the proposed well to the operator in lieu of paying its share of reasonable well costs out of production.
- (23) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (24) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator its share of the amount, if any, that reasonable well costs exceed estimated well costs and should receive from the operator the amount, if any, that estimated well costs paid by it exceed its share of reasonable well costs.
- (25) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.
- (26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator should be authorized to

withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Permian Resources, Inc., all uncommitted mineral interests in the Strawn formation underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, forming a standard 80-acre oil spacing and proration unit as to the Northeast Shoe Bar-Strawn Pool.

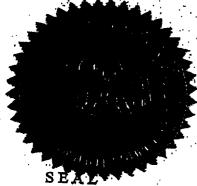
The 80-Acre Unit shall be dedicated to Applicant's proposed Chambers Well No. 2 to be drilled at an unorthodox well location [surface location 802 feet from the South line and 1,038 from the East line, and bottom hole location approximately 950 from the South line and 1,500 from the East line] within the S/2 SE/4 of Section 7.

- (2) The unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool is approved. A special project area, to consist of the S/2 SE/4 of Section 7, Township 16 South, Range 36 Bast, NMPM, is hereby created in the Northeast Shoe Bar-Strawn Pool for the horizontal completion of the proposed well.
- (3) The unorthodox location of the proposed well in the North Shoe Bar-Wolfcamp Pool, approximately 800 feet from the South line and 1,000 feet from the East line of Section 7, is approved.
- (4) The operator of the 80-Acre Unit shall commence drilling the proposed well on or before April 30, 2003, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (5) In the event the operator does not commence drilling the proposed well on or before April 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.
- (6) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.
- (7) Applicant is hereby designated the operator of the proposed well and of the 80-Acre Unit.

- (8) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. After the effective date of this order, the operator shall furnish the Division and each known non-consenting working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").
- (9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (10) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.
- (11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (12) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
 - (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

- (13) In the event that a determination is made to complete the proposed well in the Wolfcamp formation, the operator should apply for an amendment of Order No. R-11682-A to provide for allocation of costs within the 160-Acre Unit.
- (14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1 A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) Except as provided in Ordering Paragraphs (13) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, the forced pooling provisions of this order shall thereafter be of no further effect.
- (19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

19 i Wrotenbery

Director

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS	Well No.:		BAR, NORTH (WOLFCAM BAR, NE (STRAWN)	P)
Well Location:	SE/4 SE/4 (APPROX 990' FSL & 100' FEL)	Legal: SECT	ION 7, T16S, R36E		
County:	LEA State: NM ·	Prop Depth:	11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND E	QUIP 11,400' STRAWN	PUMPING OIL WELL, MD 13,2	00'	
			DRILL VERT	RUN CSG DRLG HORIZ	
	CATEGORY	 ,	& TEST	COMPLETE	TOTAL
INTANGIBLES:	ton, pits & survey \$25,000 Damages \$3	6,000	\$30,000		\$30,000
Contract Drig - i	Mobilization	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	\$30,000		\$30,000
Contract Drig - I			\$322,000	\$119,600_ * ~	\$322,000 \$119,600
Contract Drig - Bits			\$0		\$0
Fuel & Power	\$42,300 Water \$15,000		\$65,000 \$42,000	\$45,000 \$15,300	\$110,000 \$57,300
Completion Rig Coment Surface		0,000_	\$25,500	\$12,600	\$12,600 \$25,500
Coment Produc	ion \$30,000			\$30,000	\$30,000
Casing Tools at P & A	a Crews	1	\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hale Lag Mud Lagging	ging		\$18,000 \$16,000		\$18,000
Cased Hole Lo	iging		310,000	\$10,000	\$16,000 \$10,000
Perforating DST/Testing	open-hole completion		\$16,000		\$0 \$16,000
Stimulation - A Special Service				\$15,000	\$15,000
Rentals - Surfa	ce Rotating Head, Gas Sep., Housing		\$85,000 \$7,500	\$65,000 \$2,500	\$150,000 \$10,000
Rentals - BHA Rentals -		OP/CK_ \$3,500	\$5,000	\$5,000 \$18,500	\$10,000 \$18,500
Miscellaneous	Rentals Frac Tanks	0170K\$5,360_	\$2,500	\$2,500	\$5,000
Mud & Chemi Rig Supervisio		13 Complete	\$30,000 \$18,500	\$10,000 \$6,500	<u>\$40,000</u> \$25,000
Trucking			\$4,000	\$4,000 -	\$8,000
Insurance Overhead	\$250.00 /day 37 Drill	19 Complete	\$9,500 \$9,250	\$4,750	\$9,500 \$14,000
	nt - Intangible Installation ent - Intangible Installation		\$2,500	\$4,500 \$7,500	\$7,000 \$7,500
Contingencies			\$75,200	\$38,500	\$113,700
TOTAL INT	ANGIBLES		\$826,950	\$423,750	\$1,250,700
TANGIBLES:					
Weil Equipme	ent - Non Controllable				
Surface Casin 450	ft of 13-3/8 LS OD, 48 #/ft, @	\$18.00 / foot	\$8,100		58,100
Intermediate (\$11.50 / foot	\$56,350		\$56,350
Producting C	asing •				
11,400 Liner •	ft of			\$102,600	\$102,600
300 Tubing -	ft of 4" FJ OD, 12.9 #/ft, @	\$6.50 / foot		\$1,950	\$1,950
11,400	R of 2-7/8" OD, N-80 6.5 #/ft, @	\$3.85 / foot		\$43,890	\$43,890
Reds •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		008,82	\$8,800
Pumping Un Subsurface F		otor HP 50		\$45,000 '\$5,000	\$45,000 \$5,000
	oi Subsurface	Valves \$4,500	\$7,000	\$2,500 \$14,500	\$2,500 \$21,500
Lease Equip	ment - Non Controllable	¥21403 <u>34,500</u>	37,000	\$1,500	\$1,500
Separators Plowlines	\$2,500 Treators \$3,000 Dehyd	\$3.50 / foot		\$5,500 \$5,250	\$5,500 \$5,250
Tanks	2 - 500 Bbi Oil Tanks Used ment/Meter Runs, etc.			\$8,000 \$5,000	\$8,000 \$5,000
Compresso				45,000	\$0
Pumps Blectrical S	ystems 3 Poles, slack span, meter loop			\$3,500	\$0 \$3,500
Fittings	rol Lease Equipment POC			\$4,500 \$3,500	\$4,500 \$3,500
TOTALT	angibles		\$71,450	5280,790	\$352,240
TOTAL WEI	,L COST COMPLETED		\$898,400	\$704,540	\$1,602,940
	/ 		· ·		
REMARKS:	See Attached Drilling Prognosis For Details				
	Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Drill 7-7/8" production hole to 10,000', KO build angle a			O&T costs).	
	PB & set 5-1/2" casing at 11,200'. DO & KO Horizti. D	rill to TVD 11,360', MD			
	Run opitional 4" FJ liner, acidize and equip w/ BPU if re	quired.			
Prepared By	M. Stewart Initials:	> ──	Title: Engineer	Date:	
Approval	· -		Mist	55	
Companyi	By:		Title:	Date:	
Share %:	100.0000%	Net \$ Amount:	\$1,602,940	<u>. </u>	

▼PERMIAN RESOURCES, INC.⊿

March 12, 2003

Sotirios Rallis General Delivery Silivena Eqialia, Greece

Re: CHAMBERS #2

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Dear Mr. Rallis:

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Please so indicate below your election of the proposed operation for drilling the referenced well. A self-addressed, stamped envelope has been enclosed for your convenience.

If you have any questions, please do not hesitate to call.

Sincerely,

William L. Porter, CF

Land Manager

WLP:ls Encl.

Page 2	
Chambers #2	
03/12/03	
	Yes, I/we elect to participate.
	No, I/we elect not to participate.
Sotirios Rallis	3

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

RECEIVED

FEB 1 2 2003

MILLER STRATVERT, P.A.

CASE NO. 12953 ORDER NO. R-11896

APPLICATION OF PERMIAN RESOURCES, INC. FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION, DESIGNATION OF A SPECIAL PROJECT AREA, AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002 before Examiner David K. Brooks.

NOW, on this 10th day of February, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

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- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Applicant seeks an order pooling all uncommitted mineral interests in the Strawn formation only, underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit (the "80-Acre Unit" or "Unit") as to the Northeast Shoe Bar-Strawn Pool.
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 - (a) Applicant's objective in the Strawn is to locate and tap into algal mounds;
 - (b) these algal mounds are typically of small extent but tend to be very prolific producers;
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 - (d) a well drilled to the Strawn in the N/2 SE/4 of Section 7, or at a standard location in the S/2 SE/4 of Section 7, would most likely not encounter the targeted algal mound.
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- (17) Applicant is an owner of an oil and gas working interest within the 80-Acre Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the 80-Acre Unit.

- (18) There are interest owners in the 80-Acre Unit that have not agreed to pool their interests.
- (19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the 80-Acre Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the 80-Acre Unit.
- (20) Applicant should be designated the operator of the proposed well and the 80-Acre Unit.
 - (21) The Unit should be dedicated to the proposed well.
- (22) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the property to be pooled, including unleased mineral interests, who are not parties to an operating agreement governing that property.) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs of the proposed well to the operator in lieu of paying its share of reasonable well costs out of production.
- (23) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (24) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator its share of the amount, if any, that reasonable well costs exceed estimated well costs and should receive from the operator the amount, if any, that estimated well costs paid by it exceed its share of reasonable well costs.
- (25) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.
- (26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator should be authorized to

withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Permian Resources, Inc., all uncommitted mineral interests in the Strawn formation underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, forming a standard 80-acre oil spacing and proration unit as to the Northeast Shoe Bar-Strawn Pool.

The 80-Acre Unit shall be dedicated to Applicant's proposed Chambers Well No. 2 to be drilled at an unorthodox well location [surface location 802 feet from the South line and 1,038 from the East line, and bottom hole location approximately 950 from the South line and 1,500 from the East line] within the S/2 SE/4 of Section 7.

- (2) The unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool is approved. A special project area, to consist of the S/2 SE/4 of Section 7, Township 16 South, Range 36 Bast, NMPM, is hereby created in the Northeast Shoe Bar-Strawn Pool for the horizontal completion of the proposed well.
- (3) The unorthodox location of the proposed well in the North Shoe Bar-Wolfcamp Pool, approximately 800 feet from the South line and 1,000 feet from the East line of Section 7, is approved.
- (4) The operator of the 80-Acre Unit shall commence drilling the proposed well on or before April 30, 2003, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (5) In the event the operator does not commence drilling the proposed well on or before April 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.
- (6) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.
- (7) Applicant is hereby designated the operator of the proposed well and of the 80-Acre Unit.

- (8) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. After the effective date of this order, the operator shall furnish the Division and each known non-consenting working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").
- (9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (10) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.
- (11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (12) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
 - (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

- (13) In the event that a determination is made to complete the proposed well in the Wolfcamp formation, the operator should apply for an amendment of Order No. R-11682-A to provide for allocation of costs within the 160-Acre Unit.
- (14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) Except as provided in Ordering Paragraphs (13) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, the forced pooling provisions of this order shall thereafter be of no further effect.
- (19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

S E A C

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

LORI WROTENBERY

Director

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS	والمعالمة والمعادمات			V	Vell No.:	2	SHOE Pleid: SHOE	BAR, NORTH (WOLFCAM BAR, NE (STRAWN)	P)
Well Location:	SE/4 SE/4 (APPR	OX 990' FSL	& 1100' FEL)			Legal: SECTI	ON 7, T16S	, R36E		
County:	LEA			State: Nh	A ·	Prop Depth:		11,400 feet	AFE No.:	
•		ע אט מטט	120NTAL CO			•		OIL WELL, MD 13,2	001	
Obj./ Form.	DRILL VERTICA	IL, KO HOK	120N1 AL, CO	MITCE I E AI	ID EQUIP	11,400 31KX W N 1	FUMFING (DIL WELL, MD 13,2	RUN CSG	
		c	ATEGORY				DH	ull vert & test	DRLG HORIZ COMPLETE	TOTAL
										-
INTANGIBLES: Build roads, locato	n, pits & survey		\$25,000	Damages	\$5,000			\$30,000	•	\$30,000
Contract Drig - Mo	bilization	26.0		•				\$30,000	-	\$30,000
Contract Drig - Da Contract Drig - Da		35.0 13.0		\$9,200 /d \$9,200 /d	iay iay			\$322,000	\$119,600	\$322,000 \$119,600
Contract Drig - Fo	otage		feet @		oot			\$0	0.45.000	20
Bits Fuel & Power	\$42,300	Water	\$15,000					\$65,000 \$42,000	\$45,000 \$15,300	\$110,000 \$57,300
Completion Rig Coment Surface	\$5,500	days @	\$2,100 /d	iay	\$20,000				\$12,600	\$12,600
Cement Production	-	\$30,000	k this incolate	_	\$20,000			\$25,500	\$30,000	\$25,500 \$30,000
Casing Tools and	Crews							\$5,500	\$7,000	\$12,500
Open Hale Laggir	ng					ī		\$8,000 \$18,000	•	\$8,000 \$18,000
Mud Logging	\$16,000	Coring						\$16,000	640 000	\$16,000
Cased Hole Loggi Perforating	-	open-hole co	mpletion						\$10,000 \$0	\$10,000
DST/Testing		#16 000	Calmanilantan	. Posteron				\$16,000	015.000	\$16,000
Stimulation - Acid Special Services	u .	\$15,000 Directional S	Stimulation Services, Motori			\$0		\$85,000	\$15,000 \$65,000	\$15,000 \$150,000
Rentals - Surface			ad, Gas Sep., He				_	\$7,500	\$2,500	\$10,000
Rentals - BHA Ed Rentals -	quipment Drill Pipe	\$15,000	Pkrs., X-overs, ` Tubing	Valves	BOP/CK	\$3,500		\$5,000	\$5,000 \$18,500	\$10,000 \$18,500
Miscellaneous Re	entals	Frac Tanks						\$2,500	\$2,500	\$5,000
Mud & Chemical Rig Supervision	\$500.00	/dav	37 [Orill	13	Complete		\$30,000 \$18,500	\$10,000 \$6,500	\$40,000 \$25,000
Trucking				_	<u></u>			\$4,000	\$4,000	\$8,000
Insurance Overhead	\$250.00	/day	37 I	Deitt	10	Complete	_	\$9,500 \$9,250	\$4,750	\$9,500 \$14,000
	- Intangible Installa			-		Complete	_	\$2,500	\$4,500	\$7,000
Lesse Equipment Contingencies @	t - Intangible Installa S		6 of Total				_	\$75,200	\$7,500	\$7,500 \$113,700
Contingencies	y	10.07	<u>•</u> 01 10ta:				_		\$38,500	\$113,700
TOTAL INTAN	GIBLES						-	\$826,950	\$423,750	\$1,250,700
TANGIBLES:										
Well Equipment Surface Casing -	- Non Controllable						-			
450 R	of <u>13-3/8 L</u> S	OD,	48	#/ft, @	\$18.00	/ foot	-	\$8,100		\$8,100
Intermediate Car 4,900 ft	sing - of 8-5/8'	. OD,	24 & 32	#/ft, @	\$115	0 / foot		\$56,350		\$56,350
Producting Casi	ng -	-				-	_	450,550		330,330
11,400 ft Liner -	of <u>5-1/2</u>	OD,	17 & 20	#/ft, @	\$9.0	<u>0</u> / foot			\$102,600	\$102,600
300 N	of4" F	D OD,	12.9	#/ft, @	\$6.5	0 / foot			\$1,950	\$1,950
Tubing - 11,400 ft	of <u>2-7/8</u>	oD,	N-80 6.5	#/ft, @	\$3.8	5 / foot			\$43,890	\$43,890
Rods -		-	<u> المنتسب</u>							
	t of 1,2" For 1,2" For 1,5"	<u>G</u> OD,				00 / foot 00 / foot			\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit /	Motor	API Size	640 Used		Motor HP				\$45,000	\$45,000
Subsurface Pur Other Control S	•		•						\$5,000 \$2,500	\$5,000 \$2,500
Wellhead Equi	pment	\$7,00	O The Head	\$10,000	_ Valv	es \$4,500		\$7,000	\$14,500	\$21,500
Lease Equipme Separators	ent - Non Controllable \$2,50		srs \$3,000	Dehyd					\$1,500 \$5,500	\$1,500 \$5,500
Plowlines	1,50		3" Stee	OD, @	\$3.	50 / foot			\$5,250	\$5,250
Tanks Sales Fouinme	ent/Meter Runs, etc.		2 - 500 Bbi	Oil Tanks U	sed				\$8,000 \$5,000	\$8,000 \$5,000
Compressors										\$0
Pumps Electrical Syst	tems	3 Poles, a	ilack span, mete	r loop					\$3,500	\$0 \$3,500
Fittings			•						\$4,500	\$4,500
Other Control	Lesse Equipment		POC						\$3,500	\$3,500
TOTAL TAN	NGIBLES							\$71,450	\$280,790	\$352,240
TOTAL WELL	COST COMPLET	ED						\$898,400	\$704,540	\$1,602,940
REMARKS: _			ognosis For Det			Ill Insure dies to	. 10 4 0001	d as 0 fin!		
_	Drill 17-1/2 Drill 7-7/8*	production h	e to 400' and set tole to 10,000'. I	KO build ang	le and drill	to 11,400' log and	evaluate We	nd set 8-5/8" casing. olfcamp & Strawn (D	&T casts).	
-	PB & set 5-	1/2" casing a	111,200'. DO 8	k KO Horizu	. Drill to T	VD 11,360', MD 1	3,350' to spe	cific BHL per detail.		
-	Run opition	al 4" FJ line	r, acidize and eq	uip W/ BPU	required.					
Prepared By:	M. Stewart		Initial	ls:	125		Title	Engineer	Date: _	
Approval				,						
Company:				3y:			Title	·	Date: _	
Share %:	100.00	00%			Net S	Amount:		\$1,602,940	_	

PERMIAN RESOURCES, INC. 🖊

March 12, 2003

Andrei Rallis 29 Victory Street Rose Bay Sydney 2023 NSW Australia

Re:

CHAMBERS #2

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Dear Mr. Rallis:

Pursuant to Order No. R-11896 of the State of New Mexico Energy, Minerals and Natural Resource Department, Oil Conservation Division, please find enclosed an Authority for Expenditure to drill the subject well. At this time you are a non-consenting working interest owner. You have thirty (30) days from the receipt of this letter to elect either to participate or be non-consent subject to the above described order. A copy of the order is enclosed for your reference.

Please so indicate below your election of the proposed operation for drilling the referenced well. A self-addressed, stamped envelope has been enclosed for your convenience.

If you have any questions, please do not hesitate to call.

Sincerely,

William L. Porter, CPI

Land Manager

WLP:ls Encl.

Page 2	
Chambers	#2
03/12/03	

	 Yes, I/we elect to participate.
	 No, I/we elect not to participate.
Andrei Rallis	

Make

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

RECEIVED

FEB 12 2003

MILLER STRATVERT, P.A.

CASE NO. 12953 ORDER NO. R-11896

APPLICATION OF PERMIAN RESOURCES, INC. FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION, DESIGNATION OF A SPECIAL PROJECT AREA, AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002 before Examiner David K. Brooks.

NOW, on this 10th day of February, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Applicant seeks an order pooling all uncommitted mineral interests in the Strawn formation only, underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit (the "80-Acre Unit" or "Unit") as to the Northeast Shoe Bar-Strawn Pool.
- (3) In addition, Applicant seeks approval of an unorthodox location, establishment of a special project area for a proposed horizontal completion, and approval for simultaneous dedication as set forth below.
- (4) Applicant proposes to dedicate the 80-Acre Unit to its proposed Chambers Well No. 2 ("the proposed well") to be drilled in the S/2 SE/4 of Section 7, at an unorthodox surface location 1,038 feet from the South line and 802 feet from the East line (Unit P) of Section 7. The proposed well will be drilled vertically to a depth of approximately 10,200 feet, then kicked off in a westerly direction to an unorthodox Strawn bottom-hole location approximately 950 feet from the South line and 1,500 feet from the East line (Unit O) of Section 7.

- (5) Applicant expects to encounter the Strawn formation in the proposed well at a subsurface location approximately 1,000 feet from the South line and 1,025 feet from the East line of Section 7, and then drill approximately 500 feet horizontally into the Strawn. The proposed lateral will lie entirely outside the producing area for the proposed Unit in the Northeast Shoe Bar-Strawn Pool.
- (6) In support of its application for approval of an unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool, Applicant presented geologic testimony that:
 - (a) Applicant's objective in the Strawn is to locate and tap into algal mounds;
 - (b) these algal mounds are typically of small extent but tend to be very prolific producers;
 - (c) 3-D seismic and other geologic evidence indicate the existence of such an algal mound in the Strawn under the North part of the S/2 SE/4 of Section 7; and
 - (d) a well drilled to the Strawn in the N/2 SE/4 of Section 7, or at a standard location in the S/2 SE/4 of Section 7, would most likely not encounter the targeted algal mound.
- (7) Applicant presented land testimony to the effect that Applicant is the operator of, and owns the entire working interest in, the N/2 SE/4 of Section 7, the only Strawn spacing unit toward which the unorthodox location of the proposed well would encroach.
- (8) The unorthodox location of the proposed well in the Strawn, involving a producing interval from a projected penetration location approximately 1,000 feet from the South line and 1,025 feet from the East line to a projected bottom-hole location 950 feet from the South line and 1,500 feet from the East line of Section 7, should be approved, and a special project area should be created in the Strawn formation to consist of the S/2 SE/4 of Section 7.
- (9) In addition or as an alternative to completion in the Strawn, Applicant proposes to complete the proposed well in the Wolfcamp at a location stated to be 950 feet from the South line and 1,500 feet from the East line of Section 7, a location that would be unorthodox in the North Shoe Bar-Wolfcamp Pool. Applicant proposes to simultaneously dedicate the 160-Acre Wolfcamp Unit ("the 160-Acre Unit") originally

established by Order No. R-11682, issued in Case No. 12715, and restored by Order No. R-11682-A issued in Case No. 12954, to its Chambers Well No. 1 (API No. 30-025-24617) and to the proposed well.

- (10) Applicant presented evidence to the effect that all the owners of interests in the 80-Acre Unit and the 160-Acre Unit are the same persons, although their ownership percentages in the respective units differ.
- (11) Although the application seeks approval of an unorthodox location in the Wolfcamp 950 feet from the South line and 1,500 feet from the East line, the testimony concerning the plan of drilling indicates that the probable location at which the proposed well will encounter the Wolfcamp will more closely approximate 1,000 feet from the East line of the Section, rather than 1,500 feet.
- (12) The probable down-hole location of the proposed well in the Wolfcamp is unorthodox for the North Shoe Bar-Wolfcamp Pool. However, it deviates from the standard location toward the interior of the spacing unit and does not encroach toward any adjacent spacing unit.
- (13) The North Shoe Bar-Wolfcamp Pool is a prorated pool with a depth bracket allowable of 560 barrels. There is no restriction on the number of wells that may be drilled on a proration unit, and the operator may produce the unit allowable from wells on the unit in any proportion.
- (14) In the event that the proposed well proves productive in the Wolfcamp, approval of the proposed unorthodox Wolfcamp location of the proposed well, which is driven by the anticipated geology of the Strawn, will prevent waste by obviating the necessity of drilling an additional well to the Wolfcamp, and will not infringe upon correlative rights.
- (15) The unorthodox down-hole location of the proposed well in the Wolfcamp should be approved. Because the number of wells in a spacing unit in the North Shoe Bar-Wolfcamp Pool is not restricted, no approval is required for the simultaneous dedication of the 160-Acre Unit to the Chambers Well No. 1 and to the proposed well.
- (16) Two or more separately owned tracts are embraced within the 80-Acre Unit, and/or there are owners of royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the 80-Acre Unit that are separately owned.
- (17) Applicant is an owner of an oil and gas working interest within the 80-Acre Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the 80-Acre Unit.

- (18) There are interest owners in the 80-Acre Unit that have not agreed to pool their interests.
- (19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the 80-Acre Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the 80-Acre Unit.
- (20) Applicant should be designated the operator of the proposed well and the 80-Acre Unit.
 - (21) The Unit should be dedicated to the proposed well.
- (22) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the property to be pooled, including unleased mineral interests, who are not parties to an operating agreement governing that property.) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs of the proposed well to the operator in lieu of paying its share of reasonable well costs out of production.
- (23) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (24) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator its share of the amount, if any, that reasonable well costs exceed estimated well costs and should receive from the operator the amount, if any, that estimated well costs paid by it exceed its share of reasonable well costs.
- (25) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.
- (26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator should be authorized to

withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Permian Resources, Inc., all uncommitted mineral interests in the Strawn formation underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, forming a standard 80-acre oil spacing and proration unit as to the Northeast Shoe Bar-Strawn Pool.

The 80-Acre Unit shall be dedicated to Applicant's proposed Chambers Well No. 2 to be drilled at an unorthodox well location [surface location 802 feet from the South line and 1,038 from the East line, and bottom hole location approximately 950 from the South line and 1,500 from the East line] within the S/2 SE/4 of Section 7.

- (2) The unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool is approved. A special project area, to consist of the S/2 SE/4 of Section 7, Township 16 South, Range 36 Bast, NMPM, is hereby created in the Northeast Shoe Bar-Strawn Pool for the horizontal completion of the proposed well.
- (3) The unorthodox location of the proposed well in the North Shoe Bar-Wolfcamp Pool, approximately 800 feet from the South line and 1,000 feet from the East line of Section 7, is approved.
- (4) The operator of the 80-Acre Unit shall commence drilling the proposed well on or before April 30, 2003, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (5) In the event the operator does not commence drilling the proposed well on or before April 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.
- (6) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.
- (7) Applicant is hereby designated the operator of the proposed well and of the 80-Acre Unit.

- (8) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. After the effective date of this order, the operator shall furnish the Division and each known non-consenting working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").
- (9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (10) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.
- (11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (12) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
 - (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

- (13) In the event that a determination is made to complete the proposed well in the Wolfcamp formation, the operator should apply for an amendment of Order No. R-11682-A to provide for allocation of costs within the 160-Acre Unit.
- (14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) Except as provided in Ordering Paragraphs (13) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, the forced pooling provisions of this order shall thereafter be of no further effect.
- (19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY

Director

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Nama	OVA NOTES	***		BAR, NORTH (WOLFCA	MP)
Lease Name:	CHAMBERS	Well No.: 2	Field: SHOE	BAR, NE (STRAWN)	
Well Location:	SE/4 SE/4 (APPROX 990' FSL & 1100' FEL)	Legal: SECTION 7, T	116S, R36E		
County:	LBA State: NM ·	Prop Depth:	11,400 feet	AFE No.:	
Ob)./ Form.	DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQUI	מומגעניות ובעניג מדים וממג וו פ		no:	
Obj./ Form.	DRIEL VERTICAL, RO HORIZONTAL, COMPLETE AND EQUI	P 11,400 STRAWN POMPH	NO OIL WELL, MD 13,2	RUN CSG	
	CATEGORY		DRILL VERT & TEST	DRLG HORIZ COMPLETE	TOTAL
			ساره ندارید آنده به یا ۱۳۰۰ نظام		
INTANGIBLES: Build roads, locato	n, pits & survey \$25,000 Damages \$5,000	_	\$30,000	· ·	\$30,000
Contract Drig - Mo Contract Drig - Da	bilization		\$30,000 \$322,000		\$30,000
Contract Drig - Da	· · · · · · · · · · · · · · · · · · ·	•	\$322,000	\$119,600	\$322,000 \$119,600
Contract Drig - Fo	otage feet @ /foot		\$0 \$65,000	\$45,000	\$0 \$110,000
Fuel & Power	\$42,300 Water \$15,000	•	\$42,000	\$15,300	\$57,300
Completion Rig Cement Surface	6 days @ \$2,100 /day \$5,500 Cement intermediate \$20,000	3	\$25,500	\$12,600	\$12,600 \$25,500
Cement Productio	n \$30,000	-		\$30,000	\$30,000
Casing Tools and P & A	Crews	•	\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hale Laggis			\$18,000		\$18,000
Mud Logging Cased Hole Logg	\$16,000 Coring		\$16,000	\$10,000	\$16,000 \$10,000
Perforating	open-hole completion			\$0	\$0
DST/Testing Stimulation - Acid	1 \$15,000 Stimulation - Fracture	\$0	\$16,000	\$15,000	\$16,000 \$15,000
Special Services	Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface Rentals - BHA E	Rotating Head, Gas Sep., Housing uipment Whipstock, Pkrs., X-overs, Valves		\$7,500 \$5,000	\$2,500 \$5,000	\$10,000 \$10,000
Rentals -	Drill Pipe \$15,000 Tubing BOP/0	CK\$3,500_		\$18,500	\$18,500
Miscellaneous Re Mud & Chemical			\$2,500 \$30,000	\$2,500 \$10,000	\$5,000 \$40,000
Rig Supervision	\$500,00 /day 37 Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking Insurance			\$4,000 \$9,500	\$4,000 -	\$8,000 \$9,500
Overhead	\$250.00 /day 37 Drill - intangible installation	19 Complete	\$9,250	\$4,750	\$14,000
	- intangible installation		52,500	\$4,500 \$7,500	\$7,000 \$7,500
Contingencies @	10.0% of Total		\$75,200	\$38,500	\$113,700
TOTAL INTAN	GIBLES		\$826,950	\$423,750	\$1,250,700
TANGIBLES:					
Well Equipment	- Non Controllable				
Surface Casing -		.00_ / foot	\$8,100		\$8,100
Intermediate Car	sing -				
4,900 ft Producting Casi		.50 / foot	\$56,350		\$56,350
·	of <u>5-1/2"</u> OD, <u>17 & 20</u> #/ft, @ <u>\$9</u>	.00 / foot		\$102,600	\$102,600
Liner - 300 N	of 4" FJ OD, 12.9 #/ft, @ \$6	i.50 / foot		\$1,950	\$1,950
Tubing -					
11,400 R		1.85 / foot		\$43,890	\$43,890
		3.00 / foot 2.00 / foot		\$19,800	\$19,800
Pumping Unit /	Motor API Size 640 Used Motor F			\$8,800 \$45,000	\$8,800 \$45,000
Subsurface Pur Other Control S	•			* \$5,000 \$2,500	\$5,000 \$2,500
Wellhead Equi	pment <u>\$7,000</u> Tbg Head <u>\$10,000</u> Va	sives \$4,500	\$7,000	\$14,500	\$21,500
Lease Equipme Separators	int - Non Controllable \$2,500 Treaters \$3,000 Dehyd			\$1,500 \$5,500	\$1,500 \$5,500
Flowlines	1,500 ft of 3" Steel OD, @ \$	3.50 / foot		\$5,250	\$5,250
Tanks Sales Equipme	2 - 500 Bb! Oil Tanks Used nt/Meter Runs, etc.			\$8,000 \$5,000	\$8,000 \$5,000
Compressors Pumps	·				\$0 \$0
Electrical Syst	ems 3 Poles, slack span, meter loop			\$3,500	\$3,500
Pittings Other Control	Lease Equipment POC			\$4,500 \$3,500	\$4,500 \$3,500
	- · · · · · · · · · · · · · · · · · · ·				\
TOTAL TAN	IGIBLES		\$71,450	\$280,790	\$352,240
			2000 400	mm0.4.7.40	01 (02 040
TOTAL WELL	COST COMPLETED		\$898,400	\$704,540	\$1,602,940
BW14 . P145	Con Americal Publisher Promoted For Promise	•			
REMARKS: _	See Attached Drilling Prognosis For Details Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Drill	11" intermediate hole to 4,90	00' and set 8-5/8" casing.		
_	Drill 7-7/8" production hole to 10,000', KO build angle and dri PB & set 5-1/2" casing at 11,200'. DO & KO Horizti. Drill to	il to 11,400' log and evaluate	Wolfcamp & Strawn (De	&T costs).	
-	Run opitional 4" FJ liner, acidize and equip w/ BPU if required		, specific DAL per decall.		
Prepared By:	M. Stowart Initials:	• ~	litle: Engineer	Date:	
•	III OWNER PROPERTY AND ADDRESS OF THE PARTY	} '	sugmost		
Approval Company:	Ву:		litie:	Date:	
		S Amount:	\$1,602,940		
Share %:	TOUISOUS NELS	- criticatify	31,004,540		

'PERMIAN RESOURCES, INC. 🚄

March 12, 2003

CERTIFIED RETURN RECEIPT REQUESTED

7001 1140 0002 8314 6138

Miriam P. Christopher 566 Willow Road Winnetka, Illinois 60093-4138

Re: CHAMBERS #2

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Dear Ms. Christopher:

Pursuant to Order No. R-11896 of the State of New Mexico Energy, Minerals and Natural Resource Department, Oil Conservation Division, please find enclosed an Authority for Expenditure to drill the subject well. At this time you are a non-consenting working interest owner. You have thirty (30) days from the receipt of this letter to elect either to participate or be non-consent subject to the above described order. A copy of the order is enclosed for your reference.

Please so indicate below your election of the proposed operation for drilling the referenced well. A self-addressed, stamped envelope has been enclosed for your convenience.

If you have any questions, please do not hesitate to call.

Sincerely,

William L. Porter, CPL

Land Manager

WLP:ls Encl.

Page 2 Chambers #2 03/12/03	
	Yes, I/we elect to participate. No, I/we elect not to participate.
Miriam P. Chi	ristopher

With

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

RECEIVED

FEB 12-2003

MILLER STRATVERT, P.A.

CASE NO. 12953 ORDER NO. R-11896

APPLICATION OF PERMIAN RESOURCES, INC. FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION, DESIGNATION OF A SPECIAL PROJECT AREA, AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002 before Examiner David K. Brooks.

NOW, on this 10th day of February, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Applicant seeks an order pooling all uncommitted mineral interests in the Strawn formation only, underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit (the "80-Acre Unit" or "Unit") as to the Northeast Shoe Bar-Strawn Pool.
- (3) In addition, Applicant seeks approval of an unorthodox location, establishment of a special project area for a proposed horizontal completion, and approval for simultaneous dedication as set forth below.
- (4) Applicant proposes to dedicate the 80-Acre Unit to its proposed Chambers Well No. 2 ("the proposed well") to be drilled in the S/2 SE/4 of Section 7, at an unorthodox surface location 1,038 feet from the South line and 802 feet from the East line (Unit P) of Section 7. The proposed well will be drilled vertically to a depth of approximately 10,200 feet, then kicked off in a westerly direction to an unorthodox Strawn bottom-hole location approximately 950 feet from the South line and 1,500 feet from the East line (Unit O) of Section 7.

- (5) Applicant expects to encounter the Strawn formation in the proposed well at a subsurface location approximately 1,000 feet from the South line and 1,025 feet from the East line of Section 7, and then drill approximately 500 feet horizontally into the Strawn. The proposed lateral will lie entirely outside the producing area for the proposed Unit in the Northeast Shoe Bar-Strawn Pool.
- (6) In support of its application for approval of an unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool, Applicant presented geologic testimony that:
 - (a) Applicant's objective in the Strawn is to locate and tap into algal mounds;
 - (b) these algal mounds are typically of small extent but tend to be very prolific producers;
 - (c) 3-D seismic and other geologic evidence indicate the existence of such an algal mound in the Strawn under the North part of the S/2 SE/4 of Section 7; and
 - (d) a well drilled to the Strawn in the N/2 SE/4 of Section 7, or at a standard location in the S/2 SE/4 of Section 7, would most likely not encounter the targeted algal mound.
- (7) Applicant presented land testimony to the effect that Applicant is the operator of, and owns the entire working interest in, the N/2 SE/4 of Section 7, the only Strawn spacing unit toward which the unorthodox location of the proposed well would encroach.
- (8) The unorthodox location of the proposed well in the Strawn, involving a producing interval from a projected penetration location approximately 1,000 feet from the South line and 1,025 feet from the East line to a projected bottom-hole location 950 feet from the South line and 1,500 feet from the East line of Section 7, should be approved, and a special project area should be created in the Strawn formation to consist of the S/2 SE/4 of Section 7.
- (9) In addition or as an alternative to completion in the Strawn, Applicant proposes to complete the proposed well in the Wolfcamp at a location stated to be 950 feet from the South line and 1,500 feet from the East line of Section 7, a location that would be unorthodox in the North Shoe Bar-Wolfcamp Pool. Applicant proposes to simultaneously dedicate the 160-Acre Wolfcamp Unit ("the 160-Acre Unit") originally

established by Order No. R-11682, issued in Case No. 12715, and restored by Order No. R-11682-A issued in Case No. 12954, to its Chambers Well No. 1 (API No. 30-025-24617) and to the proposed well.

- (10) Applicant presented evidence to the effect that all the owners of interests in the 80-Acre Unit and the 160-Acre Unit are the same persons, although their ownership percentages in the respective units differ.
- (11) Although the application seeks approval of an unorthodox location in the Wolfcamp 950 feet from the South line and 1,500 feet from the East line, the testimony concerning the plan of drilling indicates that the probable location at which the proposed well will encounter the Wolfcamp will more closely approximate 1,000 feet from the East line of the Section, rather than 1,500 feet.
- (12) The probable down-hole location of the proposed well in the Wolfcamp is unorthodox for the North Shoe Bar-Wolfcamp Pool. However, it deviates from the standard location toward the interior of the spacing unit and does not encroach toward any adjacent spacing unit.
- (13) The North Shoe Bar-Wolfcamp Pool is a prorated pool with a depth bracket allowable of 560 barrels. There is no restriction on the number of wells that may be drilled on a proration unit, and the operator may produce the unit allowable from wells on the unit in any proportion.
- (14) In the event that the proposed well proves productive in the Wolfcamp, approval of the proposed unorthodox Wolfcamp location of the proposed well, which is driven by the anticipated geology of the Strawn, will prevent waste by obviating the necessity of drilling an additional well to the Wolfcamp, and will not infringe upon correlative rights.
- (15) The unorthodox down-hole location of the proposed well in the Wolfcamp should be approved. Because the number of wells in a spacing unit in the North Shoe Bar-Wolfcamp Pool is not restricted, no approval is required for the simultaneous dedication of the 160-Acre Unit to the Chambers Well No. 1 and to the proposed well.
- (16) Two or more separately owned tracts are embraced within the 80-Acre Unit, and/or there are owners of royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the 80-Acre Unit that are separately owned.
- (17) Applicant is an owner of an oil and gas working interest within the 80-Acre Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the 80-Acre Unit.

- (18) There are interest owners in the 80-Acre Unit that have not agreed to pool their interests.
- (19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the 80-Acre Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the 80-Acre Unit.
- (20) Applicant should be designated the operator of the proposed well and the 80-Acre Unit.
 - (21) The Unit should be dedicated to the proposed well.
- (22) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the property to be pooled, including unleased mineral interests, who are not parties to an operating agreement governing that property.) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs of the proposed well to the operator in lieu of paying its share of reasonable well costs out of production.
- (23) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (24) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator its share of the amount, if any, that reasonable well costs exceed estimated well costs and should receive from the operator the amount, if any, that estimated well costs paid by it exceed its share of reasonable well costs.
- (25) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.
 - (26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator should be authorized to

Case No. 12953 Order No. R-11896

Page 5

withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Permian Resources, Inc., all uncommitted mineral interests in the Strawn formation underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, forming a standard 80-acre oil spacing and proration unit as to the Northeast Shoe Bar-Strawn Pool.

The 80-Acre Unit shall be dedicated to Applicant's proposed Chambers Well No. 2 to be drilled at an unorthodox well location [surface location 802 feet from the South line and 1,038 from the East line, and bottom hole location approximately 950 from the South line and 1,500 from the East line] within the S/2 SE/4 of Section 7.

- (2) The unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool is approved. A special project area, to consist of the S/2 SE/4 of Section 7, Township 16 South, Range 36 Bast, NMPM, is hereby created in the Northeast Shoe Bar-Strawn Pool for the horizontal completion of the proposed well.
- (3) The unorthodox location of the proposed well in the North Shoe Bar-Wolfcamp Pool, approximately 800 feet from the South line and 1,000 feet from the East line of Section 7, is approved.
- (4) The operator of the 80-Acre Unit shall commence drilling the proposed well on or before April 30, 2003, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (5) In the event the operator does not commence drilling the proposed well on or before April 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.
- (6) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.
- (7) Applicant is hereby designated the operator of the proposed well and of the 80-Acre Unit.

- (8) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. After the effective date of this order, the operator shall furnish the Division and each known non-consenting working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").
- (9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (10) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.
- (11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (12) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is firmished; and
 - (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

- (13) In the event that a determination is made to complete the proposed well in the Wolfcamp formation, the operator should apply for an amendment of Order No. R-11682-A to provide for allocation of costs within the 160-Acre Unit.
- (14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) Except as provided in Ordering Paragraphs (13) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, the forced pooling provisions of this order shall thereafter be of no further effect.
- (19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Topi Wrotenberg

Director

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS Well No.:		BAR, NORTH (WOLFCAM) BAR, NE (STRAWN)	")
Well Location:	SE/4 SE/4 (APPROX 990' FSL & 1100' FEL) Legal: SECTIO			
County:	LEA State: NM Prop Depth:	11,400 feet	AFE No.:	-
Obj./ Form.	DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQUIP 11,400' STRAWN PL		10'	
		DRILL VERT	RUN CSG DRLG HORIZ	
Vinimus, m, m, italia	CATEGORY	& TEST	COMPLETE	TOTAL
intangibles:				
Build roads, local Contract Orig - M	ton, pits & survey \$25,000 Damages \$5,000 fobilization	\$30,000 \$30,000	· ·	\$30,000 \$30,000
Contract Drig - D	ay work35.0_ days @\$9,200_ /day	\$322,000	****	\$322,000
Contract Drig - D Contract Drig - F	· · · · · · · · · · · · · · · · · · ·		\$119,600	\$119,600 \$0
Bits Fuel & Power	\$42,300 Water \$15,000	\$65,000 \$42,000	\$45,000 \$15,300	\$110,000 \$57,300
Completion Rig	6 days @ \$2,100 /day		\$12,600	\$12,600
Cement Surface Cement Producti		\$25,500	\$30,000	\$25,500 \$30,000
Casing Tools and	d Crews	<u>\$5,500</u>	\$7,000	\$12,500
P & A Open Hole Logg		\$8,000 \$18,000	_	\$8,000 \$18,000
Mud Logging Cased Hole Log		\$16,000	\$10,000	\$16,000 \$10,000
Perforating	open-hole completion		20	\$0
DST/Testing Stimulation - Ac	oid \$15,000 Stimulation - Fracture \$0	\$16,000	\$15,000	\$16,000 \$15,000
Special Services Rentals - Surfac		\$85,000	\$65,000	\$150,000
Rentals - BHA	Equipment Whipstock, Pkrs., X-overs, Valves	\$7,500 \$5,000	\$2,500 \$5,000	\$10,000 \$10,000
Rentals - Miscellaneous F	Drill Pipe \$15,000 Tubing BOP/CK \$3,500 Rentals Frac Tanks	\$2,500	\$18,500 \$2,500	\$18,500 \$5,000
Mud & Chemic	als	\$30,000	\$10,000	\$40,000
Rig Supervision Trucking	\$500.00 /day 37 Drill 13 Complete	\$18,500 \$4,000	\$6,500 \$4,000 ~	\$25,000 \$8,000
Insurance	PARA AA Jahan 27 Daill 10 Garantan	\$9,500		\$9,500
	\$250.00 /day 37 Drill 19 Complete	\$9,250 \$2,500	\$4,750 \$4,500	\$14,000 \$7,000
Lease Equipme Contingencies	mt - Intangible Installation @ 10.0% of Total	\$75,200	\$7,500 \$38,500	\$7,500 \$113,700
-	,			
TOTAL INTA	INGIBLES	\$826,950	\$423,750	\$1,250,700
TANGIBLES:	nt • Non Controllable			
Surface Casing	}•			
intermediate C	ft of 13-3/8 LS OD, 48 #/ft, @ \$18.00 / foot	\$8,100		\$8,100
4,900	ft of 8-5/8" OD, 24 & 32 #/ft, @ \$11.50 / foot	\$56,350		\$56,350
Producting Ca	sing - ft of \$-1/2** OD, 17 & 20 #/ft, @ \$9.00_ / foot		\$102,600	\$102,600
Liner -	R of4* FJ OD,12.9 #/ft, @\$6.50 / foot			
Tubing -			\$1,950	\$1,950
11,400 Rods -	ft of2-7/8" OD,N-80 6.5 #/ft, @\$3.85 / foot		\$43,890	\$43,890
6,600	ft of1.2" FG OD,		\$19,800	\$19,800
4,400 Pumping Unit	ft of 7/8" & 1.5" OD, \$2.00 / foot t/ Motor API Size 640 Used Motor HP 50		\$8,800 \$45,000	\$8,800 \$45,000
Subsurface Pu Other Control	umps		\$5,000 \$2,500	\$5,000 \$2,500
Wellhead Equ	uipment \$7,000 Tbg Head \$10,000 Valves \$4,500	\$7,000	\$14,500	\$21,500
Lease Equipa Separators	ment - Non Controllable \$2,500 Treaters \$3,000 Dehyd		\$1,500 \$5,500	\$1,500 \$5,500
Plowlines Tanks	1,500 ft of 3" Steel OD, @ \$3.50 / foot 2 - 500 Bbl Oil Tanks Used	•	\$5,250 \$8,000	\$5,250 \$8,000
	nent/Meter Runs, etc.		\$5,000	\$5,000
Compressors Pumps				02
Electrical Sy	stems 3 Poles, slack span, meter loop		\$3,500	\$3,500
Fittings Other Contro	ol Lease Equipment POC		\$4,500 \$3,500 •	\$4,500 \$3,500
TOTAL TA	NGIBLES	\$71,450	\$280,790	\$352,240
		من <u>ندائن سم</u>		
TOTAL WELI	L COST COMPLETED	\$898,400	\$704,540	\$1,602,940
				· · · · · · · · · · · · · · · · · · ·
REMARKS:	See Attached Drilling Prognosis For Details			
	Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Drill 11" intermediate hole to Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and even to 10,000', KO build angle and even to 10,000', KO build and even to 10,000', KO build and e		&T costs).	
	PB & set 5-1/2" casing at 11,200'. DO & KO Horizti. Drill to TVD 11,360', MD 13,			
	Run opitional 4" FJ liner, acidize and equip w/ BPU if required.			
Prepared By:	M. Stewart Initials:	Title: Engineer	Date:	
Approval				
Company:	Ву:	Title:	Date: _	
Share %:	100.0000% Net \$ Amount:	\$1,602,940	_	

PERMIAN RESOURCES, INC. 🖊

March 12, 2003

CERTIFIED RETURN RECEIPT REQUESTED

7001 1140 0002 8314 6206

Nancy Fox 190 Aurielle Drive Colchester, Vermont 05446

Re: **CHAMBERS #2**

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Dear Ms. Fox:

Pursuant to Order No. R-11896 of the State of New Mexico Energy, Minerals and Natural Resource Department, Oil Conservation Division, please find enclosed an Authority for Expenditure to drill the subject well. At this time you are a non-consenting working interest owner. You have thirty (30) days from the receipt of this letter to elect either to participate or be non-consent subject to the above described order. A copy of the order is enclosed for your reference.

Please so indicate below your election of the proposed operation for drilling the referenced well. A self-addressed, stamped envelope has been enclosed for your convenience.

If you have any questions, please do not hesitate to call.

Sincerely,

William L. Porter, C

Land Manager

WLP:ls Encl.

Page 2	
Chambers #2	
03/12/03	

	 Yes, I/we elect to participate.
	 No, I/we elect <u>not</u> to participate.
Nancy Fox	

With

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

RECEIVED

FEB 1 2 2003

MILLER STRATVERT, P.A.

CASE NO. 12953 ORDER NO. R-11896

APPLICATION OF PERMIAN RESOURCES, INC. FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION, DESIGNATION OF A SPECIAL PROJECT AREA, AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002 before Examiner David K. Brooks.

NOW, on this 10th day of February, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Applicant seeks an order pooling all uncommitted mineral interests in the Strawn formation only, underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit (the "80-Acre Unit" or "Unit") as to the Northeast Shoe Bar-Strawn Pool.
- (3) In addition, Applicant seeks approval of an unorthodox location, establishment of a special project area for a proposed horizontal completion, and approval for simultaneous dedication as set forth below.
- (4) Applicant proposes to dedicate the 80-Acre Unit to its proposed Chambers Well No. 2 ("the proposed well") to be drilled in the S/2 SE/4 of Section 7, at an unorthodox surface location 1,038 feet from the South line and 802 feet from the East line (Unit P) of Section 7. The proposed well will be drilled vertically to a depth of approximately 10,200 feet, then kicked off in a westerly direction to an unorthodox Strawn bottom-hole location approximately 950 feet from the South line and 1,500 feet from the East line (Unit O) of Section 7.

- (5) Applicant expects to encounter the Strawn formation in the proposed well at a subsurface location approximately 1,000 feet from the South line and 1,025 feet from the East line of Section 7, and then drill approximately 500 feet horizontally into the Strawn. The proposed lateral will lie entirely outside the producing area for the proposed Unit in the Northeast Shoe Bar-Strawn Pool.
- (6) In support of its application for approval of an unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool, Applicant presented geologic testimony that:
 - (a) Applicant's objective in the Strawn is to locate and tap into algal mounds;
 - (b) these algal mounds are typically of small extent but tend to be very prolific producers;
 - (c) 3-D seismic and other geologic evidence indicate the existence of such an algal mound in the Strawn under the North part of the S/2 SE/4 of Section 7; and
 - (d) a well drilled to the Strawn in the N/2 SE/4 of Section 7, or at a standard location in the S/2 SE/4 of Section 7, would most likely not encounter the targeted algal mound.
- (7) Applicant presented land testimony to the effect that Applicant is the operator of, and owns the entire working interest in, the N/2 SE/4 of Section 7, the only Strawn spacing unit toward which the unorthodox location of the proposed well would encroach.
- (8) The unorthodox location of the proposed well in the Strawn, involving a producing interval from a projected penetration location approximately 1,000 feet from the South line and 1,025 feet from the East line to a projected bottom-hole location 950 feet from the South line and 1,500 feet from the East line of Section 7, should be approved, and a special project area should be created in the Strawn formation to consist of the S/2 SE/4 of Section 7.
- (9) In addition or as an alternative to completion in the Strawn, Applicant proposes to complete the proposed well in the Wolfcamp at a location stated to be 950 feet from the South line and 1,500 feet from the East line of Section 7, a location that would be unorthodox in the North Shoe Bar-Wolfcamp Pool. Applicant proposes to simultaneously dedicate the 160-Acre Wolfcamp Unit ("the 160-Acre Unit") originally

established by Order No. R-11682, issued in Case No. 12715, and restored by Order No. R-11682-A issued in Case No. 12954, to its Chambers Well No. 1 (API No. 30-025-24617) and to the proposed well.

- (10) Applicant presented evidence to the effect that all the owners of interests in the 80-Acre Unit and the 160-Acre Unit are the same persons, although their ownership percentages in the respective units differ.
- (11) Although the application seeks approval of an unorthodox location in the Wolfcamp 950 feet from the South line and 1,500 feet from the East line, the testimony concerning the plan of drilling indicates that the probable location at which the proposed well will encounter the Wolfcamp will more closely approximate 1,000 feet from the East line of the Section, rather than 1,500 feet.
- (12) The probable down-hole location of the proposed well in the Wolfcamp is unorthodox for the North Shoe Bar-Wolfcamp Pool. However, it deviates from the standard location toward the interior of the spacing unit and does not encroach toward any adjacent spacing unit.
- (13) The North Shoe Bar-Wolfcamp Pool is a prorated pool with a depth bracket allowable of 560 barrels. There is no restriction on the number of wells that may be drilled on a proration unit, and the operator may produce the unit allowable from wells on the unit in any proportion.
- (14) In the event that the proposed well proves productive in the Wolfcamp, approval of the proposed unorthodox Wolfcamp location of the proposed well, which is driven by the anticipated geology of the Strawn, will prevent waste by obviating the necessity of drilling an additional well to the Wolfcamp, and will not infringe upon correlative rights.
- (15) The unorthodox down-hole location of the proposed well in the Wolfcamp should be approved. Because the number of wells in a spacing unit in the North Shoe Bar-Wolfcamp Pool is not restricted, no approval is required for the simultaneous dedication of the 160-Acre Unit to the Chambers Well No. 1 and to the proposed well.
- (16) Two or more separately owned tracts are embraced within the 80-Acre Unit, and/or there are owners of royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the 80-Acre Unit that are separately owned.
- (17) Applicant is an owner of an oil and gas working interest within the 80-Acre Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the 80-Acre Unit.

- (18) There are interest owners in the 80-Acre Unit that have not agreed to pool their interests.
- (19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the 80-Acre Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the 80-Acre Unit.
- (20) Applicant should be designated the operator of the proposed well and the 80-Acre Unit.
 - (21) The Unit should be dedicated to the proposed well.
- (22) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the property to be pooled, including unleased mineral interests, who are not parties to an operating agreement governing that property.) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs of the proposed well to the operator in lieu of paying its share of reasonable well costs out of production.
- (23) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (24) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator its share of the amount, if any, that reasonable well costs exceed estimated well costs and should receive from the operator the amount, if any, that estimated well costs paid by it exceed its share of reasonable well costs.
- (25) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.
- (26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator should be authorized to

withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Permian Resources, Inc., all uncommitted mineral interests in the Strawn formation underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, forming a standard 80-acre oil spacing and proration unit as to the Northeast Shoe Bar-Strawn Pool.

The 80-Acre Unit shall be dedicated to Applicant's proposed Chambers Well No. 2 to be drilled at an unorthodox well location [surface location 802 feet from the South line and 1,038 from the East line, and bottom hole location approximately 950 from the South line and 1,500 from the East line] within the S/2 SE/4 of Section 7.

- (2) The unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool is approved. A special project area, to consist of the S/2 SE/4 of Section 7, Township 16 South, Range 36 Bast, NMPM, is hereby created in the Northeast Shoe Bar-Strawn Pool for the horizontal completion of the proposed well.
- (3) The unorthodox location of the proposed well in the North Shoe Bar-Wolfcamp Pool, approximately 800 feet from the South line and 1,000 feet from the East line of Section 7, is approved.
- (4) The operator of the 80-Acre Unit shall commence drilling the proposed well on or before April 30, 2003, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (5) In the event the operator does not commence drilling the proposed well on or before April 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.
- (6) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.
- (7) Applicant is hereby designated the operator of the proposed well and of the 80-Acre Unit.

- (8) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. After the effective date of this order, the operator shall furnish the Division and each known non-consenting working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").
- (9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (10) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.
- (11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (12) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
 - (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

- (13) In the event that a determination is made to complete the proposed well in the Wolfcamp formation, the operator should apply for an amendment of Order No. R-11682-A to provide for allocation of costs within the 160-Acre Unit.
- (14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) Except as provided in Ordering Paragraphs (13) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, the forced pooling provisions of this order shall thereafter be of no further effect.
- (19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

SEA

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LOKI WROTENBERY

Director

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

≟case Name;	CHAMBERS Well No.:		BAR, NORTH (WOLFCAMP) BAR, NE (STRAWN)
Well Location:		CTION 7, T16S, R36E	DAIL, ND (STICKWIT)
County:	LEA State: NM Prop Depth:	•	AFE No.:
•			
Obj./ Form.	DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQUIP 11,400' STRAY	WN POMPING OIL WELL, MD 13,2	RUN CSG
	CATEGORY	DRILL VERT& TEST	DRLG HORIZ COMPLETE TOTAL
INTANGIBLES:			
Build roads, locate Contract Drig - M		\$30,000 \$30,000	\$30,000 \$30,000
Contract Drig - D	ay work 35.0 days @ \$9,200 /day	\$322,000	\$322,000
Contract Drig - D: Contract Drig - Fe		\$0	
Bits		\$65,000	\$45,000 \$110,000
Fuel & Power Completion Rig	\$42,300 Water \$15,000 days @ \$2,100 /day	\$42,000	\$15,300 <u>\$57,300</u> \$12,600 \$12,600
Coment Surface	\$5,500 Cement Intermediate \$20,000	\$25,500	\$25,500
Cement Production Casing Tools and		\$5,500	\$30,000 \$30,000 \$7,000 \$12,500
P & A Open Hole Loggi	ino	\$8,000 \$18,000	\$8,000 \$18,000
Mud Logging		\$16,000	\$16,000 \$16,000
Cased Hole Logg Perforating	ing open-hole completion		\$10,000 \$10,000 \$0 \$0
DST/Testing		\$16,000	\$16,000
Stimulation - Ac Special Services	Id \$15,000 Stimulation - Fracture \$0 Directional Services, Motors, MWD	\$85,000	\$15,000 \$15,000 \$65,000 \$150,000
Rentals - Surface	Rotating Head, Gas Sep., Housing	\$7,500	\$2,500 \$10,000
Rentals - BHA E Rentals -	Equipment Whipstock, Pkrs., X-overs, Valves Drill Pipe \$15,000 Tubing BOP/CK \$3,500	\$5,000	\$5,000 \$10,000 \$18,500 \$18,500
Miscellaneous R Mud & Chemics		\$2,500 \$30,000	\$2,500 \$5,000 \$10,000 \$40,000
Rig Supervision		\$18,500	\$10,000 \$40,000 \$6,500 \$25,000
Trucking Insurance		\$4,000 \$9,500	54,000 - 58,000 59,500
Overhead		\$9,250	\$4,750 \$14,000
	- Intangible Installation at - Intangible Installation	\$2,500	\$4,500 \$7,000 \$7,500 \$7,500
Contingencies (\$75,200	\$38,500 \$113,700
TOTAL INTA	NGIBLES	\$826,950	\$423,750 \$1,250,700
TANGIBLES:			
Well Equipmen	t - Non Controllable	***************************************	
Surface Casing	of 13-3/8 LS OD, 48 #/ft, @ \$18.00 / foot	\$8,100	\$8,100_
intermediate Ca	using -		
4,900 f Producting Cas		\$56,350	\$56,350
11,400 f	t of <u>5-1/2**</u> OD, <u>17 & 20</u> #/ft, @ <u>\$9.00</u> / foot		\$102,600 \$102,600
300	t of 4" FJ OD, 12.9 #/ft, @ \$6.50 / foot		\$1,950 \$1,950
Tubing -	ft of2-7/8" OD,N-80 6.5 #/ft, @\$3.85 / foot		\$43,890 \$43,890
Rods -			
	R of 1.2" FG OD, \$3.00 / foot R of 7/8" & 1.5" OD, \$2.00 / foot		\$19,800 \$19,800 \$8,800 \$8,800
Pumping Unit	/ Motor API Size 640 Used Motor HP 5	<u>0</u>	\$45,000 \$45,000
Subsurface Pu Other Control	Subsurface		\$5,000 \$5,000 \$2,500 \$2,500
Wellhead Equ	ipment <u>\$7,000</u> Tbg Head \$10,000 Valves \$4,500 ent - Non Controllable	57,000	\$14,500 \$21,500 \$1,500 \$1,500
Separators	\$2,500 Treaters \$3,000 Dehyd	**************************************	\$5,500 \$5,500
Plowlines Tanks	1,500 ft of 3" Steel OD, @ \$3.50 / foot 2 - 500 Bbl Oil Tanks Used	•	\$5,250 \$5,250 \$8,000 \$8,000
Sales Equipm Compressors	ent/Meter Runs, etc.		\$5,000 \$5,000 \$0
Pumps			\$0
Electrical Sys	stems 3 Poles, slack span, meter loop		\$3,500 \$3,500 \$4,500 \$4,500
	Lease Equipment POC		\$3,500 - \$3,500
TOTAL TA	ngibles	\$71,450	\$280,790 \$352,240
TOTAL WELL	COST COMPLETED	\$898,400	\$704,540 \$1,602,940
	A	•	
REMARKS:	See Attached Drilling Prognosis For Details Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Drill 11" intermediate		
-	Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log. PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', M	and evaluate Wolfcamp & Strawn (D	&T casts).
-	Run opitional 4" FJ liner, acidize and equip w/ BPU if required.	to append on per uctall.	
Prepared By:	M. Stewart Initials:	Title: Engineer	Date:
, ,			
Approval Company:	Ву:	Title:	Date:
Share %:	100.0000% Net \$ Amount:	\$1,602,940	_

PERMIAN RESOURCES, INC.⊿

March 12, 2003

CERTIFIED RETURN RECEIPT REQUESTED

7001 1140 0002 8314 6190

David Marshall c/o Nancy Fox 190 Aurielle Drive Colchester, Vermont 05446

Re: **CHAMBERS #2**

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Dear Mr. Marshall:

Pursuant to Order No. R-11896 of the State of New Mexico Energy, Minerals and Natural Resource Department, Oil Conservation Division, please find enclosed an Authority for Expenditure to drill the subject well. At this time you are a non-consenting working interest owner. You have thirty (30) days from the receipt of this letter to elect either to participate or be non-consent subject to the above described order. A copy of the order is enclosed for your reference.

Please so indicate below your election of the proposed operation for drilling the referenced well. A self-addressed, stamped envelope has been enclosed for your convenience.

If you have any questions, please do not hesitate to call.

Sincerely,

William L. Porter, CPL

Land Manager

WLP:ls Encl.

Chambers #2 03/12/03	
	Yes, I/we elect to participate.
	No, I/we elect <u>not</u> to participate.

David Marshall

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

RECEIVED

FEB 12 2003

MILLER STRATVERT, P.A.

CASE NO. 12953 ORDER NO. R-11896

APPLICATION OF PERMIAN RESOURCES, INC. FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION, DESIGNATION OF A SPECIAL PROJECT AREA, AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002 before Examiner David K. Brooks.

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FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Applicant seeks an order pooling all uncommitted mineral interests in the Strawn formation only, underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit (the "80-Acre Unit" or "Unit") as to the Northeast Shoe Bar-Strawn Pool.
- (3) In addition, Applicant seeks approval of an unorthodox location, establishment of a special project area for a proposed horizontal completion, and approval for simultaneous dedication as set forth below.
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 - (a) Applicant's objective in the Strawn is to locate and tap into algal mounds;
 - (b) these algal mounds are typically of small extent but tend to be very prolific producers;
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- (15) The unorthodox down-hole location of the proposed well in the Wolfcamp should be approved. Because the number of wells in a spacing unit in the North Shoe Bar-Wolfcamp Pool is not restricted, no approval is required for the simultaneous dedication of the 160-Acre Unit to the Chambers Well No. 1 and to the proposed well.
- (16) Two or more separately owned tracts are embraced within the 80-Acre Unit, and/or there are owners of royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the 80-Acre Unit that are separately owned.
- (17) Applicant is an owner of an oil and gas working interest within the 80-Acre Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the 80-Acre Unit.

- (18) There are interest owners in the 80-Acre Unit that have not agreed to pool their interests.
- (19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the 80-Acre Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the 80-Acre Unit.
- (20) Applicant should be designated the operator of the proposed well and the 80-Acre Unit.
 - (21) The Unit should be dedicated to the proposed well.
- (22) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the property to be pooled, including unleased mineral interests, who are not parties to an operating agreement governing that property.) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs of the proposed well to the operator in lieu of paying its share of reasonable well costs out of production.
- (23) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (24) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator its share of the amount, if any, that reasonable well costs exceed estimated well costs and should receive from the operator the amount, if any, that estimated well costs paid by it exceed its share of reasonable well costs.
- (25) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.
- (26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator should be authorized to

Page 5

withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Permian Resources, Inc., all uncommitted mineral interests in the Strawn formation underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, forming a standard 80-acre oil spacing and proration unit as to the Northeast Shoe Bar-Strawn Pool.

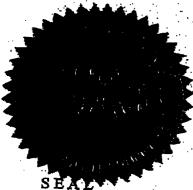
The 80-Acre Unit shall be dedicated to Applicant's proposed Chambers Well No. 2 to be drilled at an unorthodox well location [surface location 802 feet from the South line and 1,038 from the East line, and bottom hole location approximately 950 from the South line and 1,500 from the East line] within the S/2 SE/4 of Section 7.

- (2) The unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool is approved. A special project area, to consist of the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, is hereby created in the Northeast Shoe Bar-Strawn Pool for the horizontal completion of the proposed well.
- (3) The unorthodox location of the proposed well in the North Shoe Bar-Wolfcamp Pool, approximately 800 feet from the South line and 1,000 feet from the East line of Section 7, is approved.
- (4) The operator of the 80-Acre Unit shall commence drilling the proposed well on or before April 30, 2003, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (5) In the event the operator does not commence drilling the proposed well on or before April 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.
- (6) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.
- (7) Applicant is hereby designated the operator of the proposed well and of the 80-Acre Unit.

- (8) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. After the effective date of this order, the operator shall furnish the Division and each known non-consenting working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").
- (9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (10) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.
- (11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (12) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
 - (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

- (13) In the event that a determination is made to complete the proposed well in the Wolfcamp formation, the operator should apply for an amendment of Order No. R-11682-A to provide for allocation of costs within the 160-Acre Unit.
- (14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) Except as provided in Ordering Paragraphs (13) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, the forced pooling provisions of this order shall thereafter be of no further effect.
- (19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY

Director

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS	Well No.:		ar, north (Wolfcam ar, ne (Strawn)	IP)
Well Location:	SE/4 SE/4 (APPROX 990' FSL & 1100' FEL)	Legal: SECTION			
County:	LEA State: NM	Prop Depth;	11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQ	- · ·		<u>ـــ</u>	
	Sittle Sittle Control of Control	<u> </u>		RUN CSG	
	CATEGORY		DRILL VERT & TEST	DRLG HORIZ COMPLETE	TOTAL
intangibles:					
Build roads, locat Contract Drig - M	•	000	\$30,000 \$30,000	•	\$30,000 \$30,000
Contract Drig - D Contract Drig - D			\$322,000	\$119,600	\$322,000 \$119,600
Contract Drig - F			50		\$0
Bits Fuel & Power	\$42,300 Water \$15,000		\$65,000 \$42,000	\$45,000 \$15,300	\$110,000 \$57,300
Completion Rig Coment Surface	6 days @ \$2,100 /day \$5,500 Cement Intermediate \$20,	000_	\$25,500	\$12,600	\$12,600 \$25,500
Coment Producti Casing Tools and	· · · · · · · · · · · · · · · · · · ·		\$5,500	\$30,000 \$7,000	\$30,000 \$12,500
P & A		Y	\$8,000	\$7,000	\$8,000
Open Hole Logg Mud Logging			\$18,000 \$16,000		\$18,000 \$16,000
Cased Hole Logs Perforating	ging open-hole completion			\$10,000 \$0	\$10,000 \$0
DST/Testing Stimulation - Ac	, ,		\$16,000		\$16,000
Special Services	Directional Services, Motors, MWD		\$85,000	\$15,000 \$65,000	\$15,000 \$150,000
Rentals - Surfac Rentals - BHA I			\$7,500 \$5,000	\$2,500 \$5,000	\$10,000 \$10,000
Rentals - Miscellaneous P	·	P/CK \$3,500	\$2,500	\$18,500 \$2,500	\$18,500 \$5,000
Mud & Chemics	als		\$30,000	\$10,000	\$40,000
Rig Supervision Trucking	\$500.00 /day 37 Drill	13 Complete	\$18,500 \$4,000	\$6,500 \$4,000 ~	\$25,000 \$8,000
Insurance Overhead	\$250.00 /day37 Drill	_19 Complete	\$9,500 \$9,250	\$4,750	\$9,500 \$14,000
Well Equipmen	it - intangible installation nt - Intangible installation	Saint Samples	\$2,500	\$4,500	\$7,000
Contingencies	•		\$75,200	\$7,500 \$38,500	\$7,500 \$113,700
TOTAL INTA	NGIBLES		\$826,950	\$423,750	\$1,250,700
TANGIBLES:			·		
Well Equipmen	nt - Non Controllable				
Surface Casing 450 (18.00 / foat	\$8,100		\$8,100
Intermediate C		11.50 / foot	\$56,350		\$56,350
Producting Cas	sing -	\$9.00 / foot		0100:700	
Liner -				\$102,600	\$102,600
Tubing -	n of	\$6.50 / foot		\$1,950	\$1,950
11,400 Rods -	ft of 2-7/8" OD, N-80 6.5 #/ft, @	\$3.85 / foot		\$43,890	\$43,890
6,600	ft of 1,2" FG OD,	\$3.00 / foot		\$19,800	\$19,800
4,400 Pumping Unit	ft of 7/8" & 1.5" OD, // Motor API Size 640 Used Moto	\$2.00 / foot or HP 50		\$8,800 \$45,000	\$8,800 \$45,000
Subsurface Pu Other Control				\$5,000 \$2,500	\$5,000 \$2,500
Wellhead Equ		Valves \$4,500	\$7,000	\$14,500 \$1,500	\$21,500 \$1,500
Separators	\$2,500 Treaters \$3,000 Dehyd	\$3.50 / foot	**************************************	\$5,500	\$5,500
Plowlines Tanks	1,500 ft of 3" Steel OD, @ 2 - 500 Bbl Oil Tanks Used	33.30 / foot		\$5,250 \$8,000	\$5,250 \$8,000
Sales Equipm Compressors	nent/Meter Runs, etc.			\$5,000	\$5,000 \$0
Pumps Electrical Sy	siems 3 Poles, slack span, meter loop			\$3,500	\$3,500
Pittings				\$4,500	\$4,500
				\$3,500	\$3,500
TOTAL TA	NGIBLES		\$71,450	\$280,790	\$352,240
ተርታለ፤ ህክ፤ ፤	COST COMPLETED		\$898,400	\$704,540	\$1,602,940
TOTAL WEEL	COST COMITABLE		3070,400		
REMARKS:	See Attached Drilling Prognosis For Details				
•	Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Dr Drill 7-7/8" production hole to 10,000', KO build angle and			T costs),	
•	PB & set 5-1/2" casing at 11,200'. DO & KO Horizti. Drill Run opitional 4" FJ liner, acidize and equip w/ BPU if requ	to TVD 11,360', MD 13,35			
	. &		mu. s		
Prepared By:	M. Stowart Initials:	5	Titler Engineer	Date: .	
Approval Companyi	Ву:		Title:	Date:	
Share %:		et \$ Amount:	\$1,602,940		
	· · · · · · · · · · · · · · · · · · ·				

PERMIAN RESOURCES, INC.

March 12, 2003

CERTIFIED RETURN RECEIPT REQUESTED

7001 1140 0002 8314 6176

Mary Van Wyk 7562 S. University Littleton, CO 80122

Re:

CHAMBERS #2

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Dear Ms. Van Wyk:

Pursuant to Order No. R-11896 of the State of New Mexico Energy, Minerals and Natural Resource Department, Oil Conservation Division, please find enclosed an Authority for Expenditure to drill the subject well. At this time you are a non-consenting working interest owner. You have thirty (30) days from the receipt of this letter to elect either to participate or be non-consent subject to the above described order. A copy of the order is enclosed for your reference.

Please so indicate below your election of the proposed operation for drilling the referenced well. A self-addressed, stamped envelope has been enclosed for your convenience.

If you have any questions, please do not hesitate to call.

Sincerely,

William L. Porter, CPI

Land Manager

WLP:ls Encl.

Chambers #2 03/12/03	
	Yes, I/we elect to participate. No, I/we elect not to participate.
Mary Van Wy	vk

Page 2

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

RECEIVED

FEB 12 2003

MILLER STRATVERT, P.A.

CASE NO. 12953 ORDER NO. R-11896

APPLICATION OF PERMIAN RESOURCES, INC. FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION, DESIGNATION OF A SPECIAL PROJECT AREA, AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002 before Examiner David K. Brooks.

NOW, on this 10th day of February, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Applicant seeks an order pooling all uncommitted mineral interests in the Strawn formation only, underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit (the "80-Acre Unit" or "Unit") as to the Northeast Shoe Bar-Strawn Pool.
- (3) In addition, Applicant seeks approval of an unorthodox location, establishment of a special project area for a proposed horizontal completion, and approval for simultaneous dedication as set forth below.
- (4) Applicant proposes to dedicate the 80-Acre Unit to its proposed Chambers Well No. 2 ("the proposed well") to be drilled in the S/2 SE/4 of Section 7, at an unorthodox surface location 1,038 feet from the South line and 802 feet from the East line (Unit P) of Section 7. The proposed well will be drilled vertically to a depth of approximately 10,200 feet, then kicked off in a westerly direction to an unorthodox Strawn bottom-hole location approximately 950 feet from the South line and 1,500 feet from the East line (Unit O) of Section 7.

- (5) Applicant expects to encounter the Strawn formation in the proposed well at a subsurface location approximately 1,000 feet from the South line and 1,025 feet from the East line of Section 7, and then drill approximately 500 feet horizontally into the Strawn. The proposed lateral will lie entirely outside the producing area for the proposed Unit in the Northeast Shoe Bar-Strawn Pool.
- (6) In support of its application for approval of an unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool, Applicant presented geologic testimony that:
 - (a) Applicant's objective in the Strawn is to locate and tap into algal mounds;
 - (b) these algal mounds are typically of small extent but tend to be very prolific producers;
 - (c) 3-D seismic and other geologic evidence indicate the existence of such an algal mound in the Strawn under the North part of the S/2 SE/4 of Section 7; and
 - (d) a well drilled to the Strawn in the N/2 SE/4 of Section 7, or at a standard location in the S/2 SE/4 of Section 7, would most likely not encounter the targeted algal mound.
- (7) Applicant presented land testimony to the effect that Applicant is the operator of, and owns the entire working interest in, the N/2 SE/4 of Section 7, the only Strawn spacing unit toward which the unorthodox location of the proposed well would encroach.
- (8) The unorthodox location of the proposed well in the Strawn, involving a producing interval from a projected penetration location approximately 1,000 feet from the South line and 1,025 feet from the East line to a projected bottom-hole location 950 feet from the South line and 1,500 feet from the East line of Section 7, should be approved, and a special project area should be created in the Strawn formation to consist of the S/2 SE/4 of Section 7.
- (9) In addition or as an alternative to completion in the Strawn, Applicant proposes to complete the proposed well in the Wolfcamp at a location stated to be 950 feet from the South line and 1,500 feet from the East line of Section 7, a location that would be unorthodox in the North Shoe Bar-Wolfcamp Pool. Applicant proposes to simultaneously dedicate the 160-Acre Wolfcamp Unit ("the 160-Acre Unit") originally

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established by Order No. R-11682, issued in Case No. 12715, and restored by Order No. R-11682-A issued in Case No. 12954, to its Chambers Well No. 1 (API No. 30-025-24617) and to the proposed well.

- (10) Applicant presented evidence to the effect that all the owners of interests in the 80-Acre Unit and the 160-Acre Unit are the same persons, although their ownership percentages in the respective units differ.
- (11) Although the application seeks approval of an unorthodox location in the Wolfcamp 950 feet from the South line and 1,500 feet from the East line, the testimony concerning the plan of drilling indicates that the probable location at which the proposed well will encounter the Wolfcamp will more closely approximate 1,000 feet from the East line of the Section, rather than 1,500 feet.
- (12) The probable down-hole location of the proposed well in the Wolfcamp is unorthodox for the North Shoe Bar-Wolfcamp Pool. However, it deviates from the standard location toward the interior of the spacing unit and does not encroach toward any adjacent spacing unit.
- (13) The North Shoe Bar-Wolfcamp Pool is a prorated pool with a depth bracket allowable of 560 barrels. There is no restriction on the number of wells that may be drilled on a proration unit, and the operator may produce the unit allowable from wells on the unit in any proportion.
- (14) In the event that the proposed well proves productive in the Wolfcamp, approval of the proposed unorthodox Wolfcamp location of the proposed well, which is driven by the anticipated geology of the Strawn, will prevent waste by obviating the necessity of drilling an additional well to the Wolfcamp, and will not infringe upon correlative rights.
- (15) The unorthodox down-hole location of the proposed well in the Wolfcamp should be approved. Because the number of wells in a spacing unit in the North Shoe Bar-Wolfcamp Pool is not restricted, no approval is required for the simultaneous dedication of the 160-Acre Unit to the Chambers Well No. 1 and to the proposed well.
- (16) Two or more separately owned tracts are embraced within the 80-Acre Unit, and/or there are owners of royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the 80-Acre Unit that are separately owned.
- (17) Applicant is an owner of an oil and gas working interest within the 80-Acre Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the 80-Acre Unit.

- (18) There are interest owners in the 80-Acre Unit that have not agreed to pool their interests.
- (19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the 80-Acre Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the 80-Acre Unit.
- (20) Applicant should be designated the operator of the proposed well and the 80-Acre Unit.
 - (21) The Unit should be dedicated to the proposed well.
- (22) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the property to be pooled, including unleased mineral interests, who are not parties to an operating agreement governing that property.) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs of the proposed well to the operator in lieu of paying its share of reasonable well costs out of production.
- (23) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (24) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator its share of the amount, if any, that reasonable well costs exceed estimated well costs and should receive from the operator the amount, if any, that estimated well costs paid by it exceed its share of reasonable well costs.
- (25) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.
- (26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator should be authorized to

withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Permian Resources, Inc., all uncommitted mineral interests in the Strawn formation underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, forming a standard 80-acre oil spacing and proration unit as to the Northeast Shoe Bar-Strawn Pool.

The 80-Acre Unit shall be dedicated to Applicant's proposed Chambers Well No. 2 to be drilled at an unorthodox well location [surface location 802 feet from the South line and 1,038 from the East line, and bottom hole location approximately 950 from the South line and 1,500 from the East line] within the S/2 SE/4 of Section 7.

- (2) The unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool is approved. A special project area, to consist of the S/2 SE/4 of Section 7, Township 16 South, Range 36 Bast, NMPM, is hereby created in the Northeast Shoe Bar-Strawn Pool for the horizontal completion of the proposed well.
- (3) The unorthodox location of the proposed well in the North Shoe Bar-Wolfcamp Pool, approximately 800 feet from the South line and 1,000 feet from the East line of Section 7, is approved.
- (4) The operator of the 80-Acre Unit shall commence drilling the proposed well on or before April 30, 2003, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (5) In the event the operator does not commence drilling the proposed well on or before April 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.
- (6) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.
- (7) Applicant is hereby designated the operator of the proposed well and of the 80-Acre Unit.

- (8) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. After the effective date of this order, the operator shall furnish the Division and each known non-consenting working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").
- (9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (10) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.
- (11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (12) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
 - (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

- (13) In the event that a determination is made to complete the proposed well in the Wolfcamp formation, the operator should apply for an amendment of Order No. R-11682-A to provide for allocation of costs within the 160-Acre Unit.
- (14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) Except as provided in Ordering Paragraphs (13) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, the forced pooling provisions of this order shall thereafter be of no further effect.
- (19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LOKI WROTENBERY

Director

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS	Well No.:	SHOE BAR, NORTH (WOLFCAMP) Pield: SHOE BAR, NE (STRAWN)			
Well Location:	SE/4 SE/4 (APPROX 990' FSL & 1100'	FEL) Legal: SE(TION 7, T16S, R36E			
County:	LEA	State: NM Prop Depth:	11,400 feet	AFE No.:		
Obj./ Form.	DRILL VERTICAL, KO HORIZONTA	L COMPLETE AND EQUIP 11,400' STRAW	N PUMPING OIL WELL, MD 13.200	٠ ، ١٠		
			DRILL VERT	RUN CSG DRLG HORIZ		
	CATEGO	RY	& TEST	COMPLETE	TOTAL	
INTANGIBLES: Build roads, locat Contract Drig - M Contract Drig - D Contract Drig - D Contract Drig - F Bits Fuel & Power Completion Rig Cement Surface Cement Productle Casing Tools and P & A Open Hole Logg Mud Logging Cased Hole Log	S42,300 S5,500 S30,000 S16,000 Coring Coring S16,000 Coring Coring S16,000 Coring Coring	\$9,200 /day \$9,200 /day /foot	\$30,000 \$30,000 \$322,000 \$65,000 \$42,000 \$25,500 \$8,000 \$18,000	\$119,600 • \$45,000 \$15,300 \$12,600 \$30,000 \$7,000	\$30,000 \$30,000 \$322,000 \$119,600 \$0 \$110,000 \$57,300 \$12,600 \$25,500 \$30,000 \$12,500 \$8,000 \$18,000 \$16,000 \$10,000	
Lease Equipmer Contingencies TOTAL INTA	Directional Services, 8 Rotating Head, Gas Sc Quipment Whipstock, Pkrs., X-o Drill Pipe \$\frac{515,000}{575,000}\$ Tub Is \$\frac{5500.00}{4ay} / day t - Intangible Installation 10.0% of Tota	2p., Housing overs, Valves ing BOP/CK \$3,500 37 Drill 13 Complete 37 Drill 19 Complete	\$16,000 \$85,000 \$7,500 \$5,000 \$2,500 \$30,000 \$18,500 \$4,000 \$9,500 \$9,250 \$2,500 \$75,200	\$0 \$15,000 \$65,000 \$2,500 \$1,500 \$2,500 \$10,000 \$6,500 \$4,000 \$4,000 \$4,750 \$4,500 \$7,500 \$38,500	\$0 \$16,000 \$15,000 \$15,000 \$10,000 \$10,000 \$10,000 \$5,000 \$40,000 \$25,000 \$8,000 \$9,500 \$14,000 \$7,000 \$113,700	
Surface Casing 450 f Intermediate C	t of 13-3/8 LS OD,	48 #/ft, @ \$18.00 / foot & 32 #/ft, @ \$11.50 / foot	\$8,100		\$8,100	
Producting Cas 11,400 Liner - 300 Tubing - 11,400 Rods - 6,600 4,400 Pumping Unit Subsurface Pr Other Control Weithead Equ Lease Equipm Separators Flowlines Tanks Sales Equipm Compressors Pumps Electrical Sy Fittings Other Control	ing - R of	#/ft, @ \$9,00 / foot 12.9 #/ft, @ \$6.50 / foot 30.6.5 #/ft, @ \$3.85 / foot \$3.00 / foot \$2.00 / foot \$2.00 / foot \$2.00 / foot \$3.00 Dehyd "Steel OD, @ \$3.50 / foot O Bbi Oil Tanks Used DO & KO build angle and drill to 11,400 log a DO & KO Horizti. Drill to TVD 11,360 M	\$7,000 \$71,450 \$898,400 solve to 4,900' and set 8-5/8" casing, and evaluate Wolfcamp & Strawn (D&	\$1,950 \$43,890 \$19,800 \$8,800 \$45,000 \$5,000 \$14,500 \$1,500 \$1,500 \$5,250 \$8,000 \$5,250 \$8,000 \$5,000 \$2,500 \$1	\$56,350 \$102,600 \$1,950 \$43,890 \$19,800 \$8,800 \$5,000 \$5,000 \$2,500 \$1,500 \$5,500 \$5,500 \$5,250 \$8,000 \$5,000 \$5,000 \$5,000 \$5,000 \$5,000 \$5,000 \$1,500 \$1,500 \$1,500 \$2,500 \$1,500 \$1,500 \$2,500 \$1,500 \$2,500 \$2,500 \$2,500 \$2,500 \$3,500 \$	
Prepared By:	Run opitional 4" FJ liner, acidize : M. Stewart	Initials:	Title: Engineer	Date:		
Companyi		By:	Title:	Date:		
Share %:	100,0000%	Net \$ Amount:	\$1,602,940			

PERMIAN RESOURCES, INC. A

March 12, 2003

CERTIFIED RETURN RECEIPT REQUESTED

7001 1140 0002 8314 6169

James I. Holden, Jr. 2250 Havensridge Drive Colorado Springs, CO 80920

Re: CHAMBERS #2

T-16-S, R-36-E, NMPM Section 7: SE/4: All Lea County, New Mexico

Dear Mr. Holden:

Pursuant to Order No. R-11896 of the State of New Mexico Energy, Minerals and Natural Resource Department, Oil Conservation Division, please find enclosed an Authority for Expenditure to drill the subject well. At this time you are a non-consenting working interest owner. You have thirty (30) days from the receipt of this letter to elect either to participate or be non-consent subject to the above described order. A copy of the order is enclosed for your reference.

Please so indicate below your election of the proposed operation for drilling the referenced well. A self-addressed, stamped envelope has been enclosed for your convenience.

If you have any questions, please do not hesitate to call.

Sincerely,

William L. Porter,

Land Manager

WLP:ls Encl.

Y	es, I/we elect to participate. No, I/we elect not to participate.
James I. Holden, Jr.	

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

RECEIVED

FEB 12 2003

MILLER STRATVERT, P.A.

CASE NO. 12953 ORDER NO. R-11896

APPLICATION OF PERMIAN RESOURCES, INC. FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION, DESIGNATION OF A SPECIAL PROJECT AREA, AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002 before Examiner David K. Brooks.

NOW, on this 10th day of February, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Applicant seeks an order pooling all uncommitted mineral interests in the Strawn formation only, underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit (the "80-Acre Unit" or "Unit") as to the Northeast Shoe Bar-Strawn Pool.
- (3) In addition, Applicant seeks approval of an unorthodox location, establishment of a special project area for a proposed horizontal completion, and approval for simultaneous dedication as set forth below.
- (4) Applicant proposes to dedicate the 80-Acre Unit to its proposed Chambers Well No. 2 ("the proposed well") to be drilled in the S/2 SE/4 of Section 7, at an unorthodox surface location 1,038 feet from the South line and 802 feet from the East line (Unit P) of Section 7. The proposed well will be drilled vertically to a depth of approximately 10,200 feet, then kicked off in a westerly direction to an unorthodox Strawn bottom-hole location approximately 950 feet from the South line and 1,500 feet from the East line (Unit O) of Section 7.

- (5) Applicant expects to encounter the Strawn formation in the proposed well at a subsurface location approximately 1,000 feet from the South line and 1,025 feet from the East line of Section 7, and then drill approximately 500 feet horizontally into the Strawn. The proposed lateral will lie entirely outside the producing area for the proposed Unit in the Northeast Shoe Bar-Strawn Pool.
- (6) In support of its application for approval of an unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool, Applicant presented geologic testimony that:
 - (a) Applicant's objective in the Strawn is to locate and tap into algal mounds;
 - (b) these algal mounds are typically of small extent but tend to be very prolific producers;
 - (c) 3-D seismic and other geologic evidence indicate the existence of such an algal mound in the Strawn under the North part of the S/2 SE/4 of Section 7; and
 - (d) a well drilled to the Strawn in the N/2 SE/4 of Section 7, or at a standard location in the S/2 SE/4 of Section 7, would most likely not encounter the targeted algal mound.
- (7) Applicant presented land testimony to the effect that Applicant is the operator of, and owns the entire working interest in, the N/2 SE/4 of Section 7, the only Strawn spacing unit toward which the unorthodox location of the proposed well would encroach.
- (8) The unorthodox location of the proposed well in the Strawn, involving a producing interval from a projected penetration location approximately 1,000 feet from the South line and 1,025 feet from the East line to a projected bottom-hole location 950 feet from the South line and 1,500 feet from the East line of Section 7, should be approved, and a special project area should be created in the Strawn formation to consist of the S/2 SE/4 of Section 7.
- (9) In addition or as an alternative to completion in the Strawn, Applicant proposes to complete the proposed well in the Wolfcamp at a location stated to be 950 feet from the South line and 1,500 feet from the East line of Section 7, a location that would be unorthodox in the North Shoe Bar-Wolfcamp Pool. Applicant proposes to simultaneously dedicate the 160-Acre Wolfcamp Unit ("the 160-Acre Unit") originally

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established by Order No. R-11682, issued in Case No. 12715, and restored by Order No. R-11682-A issued in Case No. 12954, to its Chambers Well No. 1 (API No. 30-025-24617) and to the proposed well.

- (10) Applicant presented evidence to the effect that all the owners of interests in the 80-Acre Unit and the 160-Acre Unit are the same persons, although their ownership percentages in the respective units differ.
- (11) Although the application seeks approval of an unorthodox location in the Wolfcamp 950 feet from the South line and 1,500 feet from the East line, the testimony concerning the plan of drilling indicates that the probable location at which the proposed well will encounter the Wolfcamp will more closely approximate 1,000 feet from the East line of the Section, rather than 1,500 feet.
- (12) The probable down-hole location of the proposed well in the Wolfcamp is unorthodox for the North Shoe Bar-Wolfcamp Pool. However, it deviates from the standard location toward the interior of the spacing unit and does not encroach toward any adjacent spacing unit.
- (13) The North Shoe Bar-Wolfcamp Pool is a prorated pool with a depth bracket allowable of 560 barrels. There is no restriction on the number of wells that may be drilled on a proration unit, and the operator may produce the unit allowable from wells on the unit in any proportion.
- (14) In the event that the proposed well proves productive in the Wolfcamp, approval of the proposed unorthodox Wolfcamp location of the proposed well, which is driven by the anticipated geology of the Strawn, will prevent waste by obviating the necessity of drilling an additional well to the Wolfcamp, and will not infringe upon correlative rights.
- (15) The unorthodox down-hole location of the proposed well in the Wolfcamp should be approved. Because the number of wells in a spacing unit in the North Shoe Bar-Wolfcamp Pool is not restricted, no approval is required for the simultaneous dedication of the 160-Acre Unit to the Chambers Well No. 1 and to the proposed well.
- (16) Two or more separately owned tracts are embraced within the 80-Acre Unit, and/or there are owners of royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the 80-Acre Unit that are separately owned.
- (17) Applicant is an owner of an oil and gas working interest within the 80-Acre Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the 80-Acre Unit.

- (18) There are interest owners in the 80-Acre Unit that have not agreed to pool their interests.
- (19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the 80-Acre Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the 80-Acre Unit.
- (20) Applicant should be designated the operator of the proposed well and the 80-Acre Unit.
 - (21) The Unit should be dedicated to the proposed well.
- (22) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the property to be pooled, including unleased mineral interests, who are not parties to an operating agreement governing that property.) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs of the proposed well to the operator in lieu of paying its share of reasonable well costs out of production.
- (23) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (24) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator its share of the amount, if any, that reasonable well costs exceed estimated well costs and should receive from the operator the amount, if any, that estimated well costs paid by it exceed its share of reasonable well costs.
- (25) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.
- (26) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator should be authorized to

withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Permian Resources, Inc., all uncommitted mineral interests in the Strawn formation underlying the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, forming a standard 80-acre oil spacing and proration unit as to the Northeast Shoe Bar-Strawn Pool.

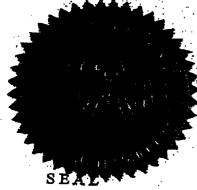
The 80-Acre Unit shall be dedicated to Applicant's proposed Chambers Well No. 2 to be drilled at an unorthodox well location [surface location 802 feet from the South line and 1,038 from the East line, and bottom hole location approximately 950 from the South line and 1,500 from the East line] within the S/2 SE/4 of Section 7.

- (2) The unorthodox location of the proposed well in the Northeast Shoe Bar-Strawn Pool is approved. A special project area, to consist of the S/2 SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, is hereby created in the Northeast Shoe Bar-Strawn Pool for the horizontal completion of the proposed well.
- (3) The unorthodox location of the proposed well in the North Shoe Bar-Wolfcamp Pool, approximately 800 feet from the South line and 1,000 feet from the East line of Section 7, is approved.
- (4) The operator of the 80-Acre Unit shall commence drilling the proposed well on or before April 30, 2003, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (5) In the event the operator does not commence drilling the proposed well on or before April 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.
- (6) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.
- (7) Applicant is hereby designated the operator of the proposed well and of the 80-Acre Unit.

- (8) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. After the effective date of this order, the operator shall furnish the Division and each known non-consenting working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").
- (9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (10) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.
- (11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (12) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
 - (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

- (13) In the event that a determination is made to complete the proposed well in the Wolfcamp formation, the operator should apply for an amendment of Order No. R-11682-A to provide for allocation of costs within the 160-Acre Unit.
- (14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000 per month while drilling and \$650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) Except as provided in Ordering Paragraphs (13) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, the forced pooling provisions of this order shall thereafter be of no further effect.
- (19) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO OIL CONSERVATION DIVISION

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Director

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

∟ease Name:	CHAMBERS	Well No.:2		AR, NORTH (WOLFCAM) AR, NE (STRAWN)	?)
Well Location:	SE/4 SE/4 (APPROX 990' FSL & 1100' FEL)	Legal: SECTION 7	, T16S, R36E		
County:	LEA State: NM ·	Prop Depth:	11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQUIP	11,400' STRAWN PUM	PING OIL WELL, MD 13,20		·
-	CATEGORY		DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
	Stating Station Stat	SO S3,500 Complete	\$30,000 \$30,000 \$322,000 \$0 \$65,000 \$42,000 \$25,500 \$8,000 \$18,000 \$16,000 \$35,000 \$7,500 \$5,000 \$2,500 \$30,000 \$18,500 \$30,000 \$18,500 \$30,000 \$18,500 \$30,000 \$18,500 \$30,000 \$18,500 \$4,000 \$30,000 \$18,500 \$4,000 \$30,000 \$18,500 \$4,000 \$30,000 \$18,500 \$4,000 \$30,000 \$18,500 \$4,000 \$30,000 \$18,500 \$4,000 \$30,000	\$119,600 \$45,000 \$15,300 \$12,600 \$30,000 \$7,000 \$10,000 \$0 \$15,000 \$65,000 \$2,500 \$18,500 \$19,000 \$10,000 \$2,500 \$10,000 \$4,000 \$4,000 \$4,750 \$4,750 \$4,500 \$38,500	\$30,000 \$30,000 \$30,000 \$310,000 \$119,600 \$0 \$110,000 \$57,300 \$12,500 \$322,500 \$312,500 \$312,500 \$310,000 \$110,000 \$10,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$11,000
TANGIBLES: Well Equipmen Surface Casing 450 fi intermediate Ca	of 13-3/8 LS OD, 48 #/ft, @ \$18.00	<u>) </u> / foot	\$8,100		\$8,100
	of <u>8-5/8"</u> OD, <u>24 & 32</u> #/ft, @ <u>\$11.5</u> ing -	0 / foot	\$56,350		\$56,350
11,400 f		0 / foot		\$102,600	\$102,600
300 f		0 / foot		\$1,950	\$1,950
Rods - 6,600 4,400 Pumping Unit Subsurface Pu Other Control Wellhead Equipm Separators Flowlines Tanks Sales Equipm Compressors Pumps Electrical Sys Fittings	R of 1.2" FG OD, S3.0 R of 7/8" & 1.5" OD, S2.0 Motor API Size 640 Used Motor HP Motor S7,000 Tog Head \$10,000 Valve S2,500 Treaters \$3,000 Dehyd 1,500 ft of 3" Steel OD, @ \$3.000 2 - 500 Bbl Oil Tanks Used S3.000 S3.000 S3.000 S3.000 S3.000 S3.000 S4.000 S4.000 S4.000 S4.	5 / foot 10 / foot 10 / foot 50 50 / foot	\$7,000	\$43,890 \$19,800 \$8,800 \$45,000 \$5,000 \$1,500 \$1,500 \$5,250 \$8,000 \$5,250 \$8,000 \$3,500 \$3,500	\$43,890 \$19,800 \$8,800 \$45,000 \$5,000 \$21,500 \$51,500 \$5,500 \$55,500 \$55,500 \$55,500 \$55,000 \$55,000 \$50 \$500 \$50
TOTAL TA	• •		\$71,450	\$280,790	\$352,240
	COST COMPLETED See Attached Drilling Prognosis For Details Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Drill 11 Drill 7-7/8" production hole to 10,000', KO build angle and drill 1 PB & set 5-1/2" casing at 11,200'. DO & KO Horizzi. Drill to T' Run opitional 4" FJ liner, acidize and equip w/ BPU if required.	to 11,400' log and evalua	\$898,400 900' and set 8-5/8" casing. 10 Wolfcamp & Strawn (D&7)	\$704,540	\$1,602,940
Prepared By:	M. Stewart Initials:		Title: Engineer	Date:	
Approval Company:	Ву:		Title:	Date:	
Share %:	100.0000% Net \$ A	mount:	\$1,602,940		