

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

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

CASE NO. 12953

APPLICATION

PERMIAN RESOURCES, INC., by its undersigned attorneys, Miller, Stratvert & Torgerson, P.A., (J. Scott Hall) hereby makes application pursuant to *inter alia* NMSA 1978 Section 70-2-17 (1995) for an order providing as follows:

1. For the compulsory pooling of all interests in the Strawn formation, (Northeast Shoe Bar-Strawn Oil Pool), underlying the S/2 SE/4 of Section 7;
2. The designation of an 80-acre Special Project Area pursuant to Division Rule 111 A(9) consisting of the S/2 SE/4 of Section 7 for its directionally drilled well;
3. For an exception to the well locational requirements of Division Rule 104 for the drilling of its proposed Chambers No. 2 well at an unorthodox well location; and
4. For the simultaneous dedication of production from the Applicant's Chambers No. 1 well and its proposed Chambers No. 2 well, both located in the SE/4 of Section 7.

In support thereof, Applicant would show the Division:

1. Applicant owns or controls one-hundred percent of the available working interests in and under the S/2 SE/4 of Section 7, and has the right to drill thereon.
2. Applicant has been unable to obtain leases or voluntary agreement for pooling or farmout from certain other mineral interest owners in the Strawn formation underlying the S/2 SE/4 of said Section 7.

3. The Strawn formation reserves that are the target of Applicant's proposed well cannot be efficiently accessed from a straight-hole well drilled at a standard location on the S/2 SE/4 of Section 7.

4. Applicant proposes to dedicate the pooled unit to its Chambers No. 2 well to be drilled from an unorthodox surface location 1000 feet from the South line and 1,100 feet from the East line in the SE/4 SE/4 of Section 7 (Unit P) to an unorthodox Strawn formation bottom hole location 950 feet from the South line and 1,500 feet from the East line in the SW/4 SE/4 (Unit O) of Section 7 to a depth sufficient to test the Strawn formation (Northeast Shoe Bar-Strawn Oil Pool). Applicant anticipates the well will first encounter the Strawn formation at a location approximately 1,000 feet from the South line and 1025 feet from the East line in the SE/4 SE/4 (Unit P) of Section 7, from which point the well will be directionally drilled to the bottom hole location referenced above.

5. The directional drilling of the well in this manner is the most efficient means available to encounter and produce the Strawn formation reserves believed to underlie the S/2 SE/4 of Section 7.

6. Applicant also proposes to complete the Chambers No. 2 well in the Wolfcamp formation (North Shoe Bar Wolfcamp Oil Pool) at an unorthodox location for that pool approximately 950 feet from the South line and 1500 feet from East line of Section 7.

7. Applicant operates the Chambers No. 1 well (API No. 30-025-24617) completed at a standard location 555 feet from the South line and 2085 feet from the East line of Section 7 (Unit O) currently producing from the Wolfcamp formation (North Shoe

Bar Wolfcamp Oil Pool). Applicant proposes the simultaneous dedication of the Wolfcamp formation to both the Chambers No. 1 and the Chambers No. 2 well.

8. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

9. The pooling of interests and approval of the unorthodox well location will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on October 24, 2002 and that after notice and hearing as required by law, the Division enter its Order providing as follows:

1. Authorizing the creation of an 80-acre Special Project Area pursuant to Division Rule 111 A(9) consisting of the following lands in Section 7: S/2 SE/4;
2. Approving the unorthodox well locations;
3. Pooling the S/2 SE/4 of Section 7, including provisions designating Applicant as Operator, and for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well;

4. Approving the simultaneous dedication of production from the Wolfcamp formation (North Shoe Bar Wolfcamp Pool) from Applicant's Chambers No. 1 well and its proposed Chambers No. 2 well; and

5. Making such other and further provisions as the Division deems appropriate .

MILLER, STRATVERT & TORGERSON, P.A.

By

A handwritten signature in black ink, appearing to read "J. Scott Hall", written over a horizontal line.

J. Scott Hall
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