

# **PERMIAN RESOURCES, INC.**

gm

April 12, 2002

Gus Delonas  
c/o Dorothy Delonas, AIF  
3613 Mirror Court  
Spring, Texas 77388

**RE: CHAMBERS PROSPECT**  
T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
As to the Strawn Formation

Dear Dorothy:

County records indicate that you own a 0.3125% Mineral Interest in the referenced tract, which equates to 0.25 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$25.00. However, in order to get the lease expedited I am willing to give you a check in the amount of \$50.00 which would equate to approximately \$200.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

In the alternative if you would like to participate in the drilling of our Chambers Horizontal Well located at a legal location of our choice, I've enclosed an Authority for Expenditure which sets out the cost associated with drilling the well. Your proportionate share of dry hole cost is calculated by multiplying your mineral interest by the dollar figure listed under the drilling test column of \$898,400.00 for a total cost to you of \$2,246.00.

Further, if you elect not to participate in the well Permian Resources Holdings, Inc. will set a hearing before the Oil Conservation Commission in the State of New Mexico to force pool your interest into our drilling unit. At which time you would not loose your interest, however we would be able to drill our well with your interest contributed to our unit until we earned our investment back plus a penalty assessed by the Commission.

If I do not hear from you within 10 days from the receipt of this letter I will assume you choose not to lease or participate.

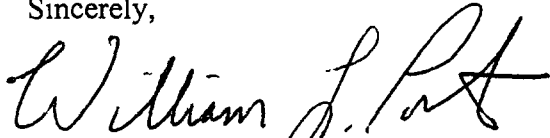
P.O. BOX 590 • MIDLAND, TEXAS 79702-0590  
608 NORTH MAIN • MIDLAND, TEXAS 79701  
PHONE (915) 685-0113 • FAX (915) 685-3621

Permian Resources, Inc.  
NMOCD Case #12954  
October 24, 2002  
Exhibit No. 6

Page Two  
April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "William L. Porter". The signature is fluid and cursive, with the first name "William" being the most prominent.

William L. Porter, CPL  
Land Manager

## OIL & GAS LEASE

THIS AGREEMENT made this 12th day of April, 2002 between **Gus Delonas , dealing in his sole and separate property, c/o Dorothy Delonas AIF, 3613 Mirror Court, Spring, Texas 77388** herein called Lessor (whether one or more) and **PERMIAN RESOURCES HOLDINGS, INC., P.O. Box 590, Midland, TX 79702,** Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to wit:

### S/2SE/4 Section 7, T-16-S, R-36-E, NMPM

Said land is estimated to comprise 80.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, ~~Three-sixteenths~~ of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of ~~Three-sixteenths~~ of the gas used, provided that on gas sold on or off the premises, the royalties shall be ~~Three-sixteenths~~ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Gus Delonas

STATE OF TEXAS

§

§

COUNTY OF

§

This instrument was acknowledged before me on the      day of      , 2002 by  
Gus Delonas.

My Commission Expires

\_\_\_\_\_  
Notary Public, State of Texas

Printed Name: \_\_\_\_\_

PERMIAN RESOURCES, INC.  
DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLFCAMP)  
SHOE BAR, 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 PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES:						
Build roads, location, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	35.0 days @	\$9,200 /day		\$322,000		\$322,000
Contract Drlg - Day work	13.0 days @	\$9,200 /day			\$119,600	\$119,600
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water	\$15,000	\$42,000	\$15,300	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$30,000				\$30,000	\$30,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$16,000	Coring		\$16,000		\$16,000
Cased Hole Logging					\$10,000	\$10,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$16,000		\$16,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe	\$15,000	Tubing	BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals		Frac Tanks		\$2,500	\$2,500	\$5,000
Mud & Chemicals				\$30,000	\$10,000	\$40,000
Rig Supervision	\$500.00 /day	37 Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking				\$4,000	\$4,000	\$8,000
Insurance				\$9,500		\$9,500
Overhead	\$250.00 /day	37 Drill	19 Complete	\$9,250	\$4,750	\$14,000
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0%	of Total		\$75,200	\$38,500	\$113,700
TOTAL INTANGIBLES				\$826,950	\$423,750	\$1,250,700
TANGIBLES:						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of 13-3/8 LS	OD,	48 #/ft, @	\$18.00 / foot	\$8,100		\$8,100
Intermediate Casing -						
4,900 ft of 8-5/8"	OD,	24 & 32 #/ft, @	\$11.50 / foot	\$56,350		\$56,350
Producing Casing -						
11,400 ft of 5-1/2"	OD,	17 & 20 #/ft, @	\$9.00 / foot		\$102,600	\$102,600
Liner -						
300 ft of 4" FJ	OD,	12.9 #/ft, @	\$6.50 / foot		\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8"	OD,	N-80 6.5 #/ft, @	\$3.85 / foot		\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG	OD,		\$3.00 / foot		\$19,800	\$19,800
4,400 ft of 7/8" & 1.5"	OD,		\$2.00 / foot		\$8,800	\$8,800
Pumping Unit / Motor	API Size	640 Used	Motor HP 50		\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$7,000	Tbg Head	\$10,000	\$7,000	\$14,500	\$21,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters	\$3,000		\$5,500	\$5,500
Flowlines	1,500	ft of 3" Steel	OD, @ \$3.50 / foot		\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
TOTAL TANGIBLES				\$71,450	\$280,790	\$352,240
TOTAL WELL 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 4,900' and set 8-5/8" casing.  
Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and evaluate Wolfcamp & Strawn (D&T costs).  
PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', MD 13,350' to specific BHL per detail.  
Run optional 4" FJ liner, acidize and equip w/ BPU if required.

Prepared By: M. Stewart Initials: [Signature] Title: Engineer Date: 04/19/02

Approval Company: \_\_\_\_\_ By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Share %: 100.0000% Net \$ Amount: \$1,602,940

Chambers 9/11

**PERMIAN RESOURCES, INC.**

April 12, 2002

Andrei Rallis  
29 Victory St.  
Rose Bay  
Sidney 2023 NSW  
Australia

**RE: CHAMBERS PROSPECT**  
T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
As to the Strawn Formation

Dear Andrei:

County records indicate that you own a 0.125% Mineral Interest in the referenced tract, which equates to 0.100 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$10.00. However, in order to get the lease expedited I am willing to give you a check in the amount of \$50.00 which would equate to approximately \$500.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

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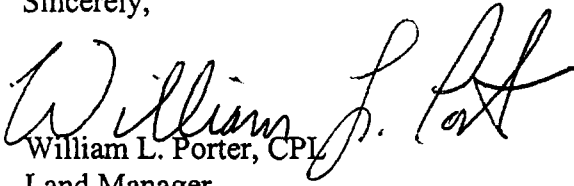
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Page Two  
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Please let me know your thoughts regarding this matter.

Sincerely,



William L. Porter, CPL  
Land Manager

## OIL & GAS LEASE

THIS AGREEMENT made this 12th day of April, 2002 between Andrei Rallis , dealing in his sole and separate property 29 Victory St., Rose Bay, Sidney 2023 NSW, Australia herein called Lessor (whether one or more) and PERMIAN RESOURCES HOLDINGS, INC., P.O. Box 590, Midland, TX 79702, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to wit:

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6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duty shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

\_\_\_\_\_  
Andrei Rallis



STATE OF \_\_\_\_\_

§

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COUNTY OF \_\_\_\_\_

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This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by  
Andrei Rallis.

My Commission Expires \_\_\_\_\_

\_\_\_\_\_  
Notary Public, State of \_\_\_\_\_

Printed Name: \_\_\_\_\_

PERMIAN RESOURCES, INC.  
DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLFCAMP)  
 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 PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
<b>INTANGIBLES:</b>						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	35.0 days @	\$9,200 /day		\$322,000		\$322,000
Contract Drlg - Day work	13.0 days @	\$9,200 /day			\$119,600	\$119,600
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water	\$15,000	\$42,000	\$15,300	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$30,000				\$30,000	\$30,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$16,000	Coring		\$16,000		\$16,000
Cased Hole Logging					\$10,000	\$10,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$16,000		\$16,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe	\$15,000	Tubing	BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals		Frac Tanks		\$2,500	\$2,500	\$5,000
Mud & Chemicals				\$30,000	\$10,000	\$40,000
Rig Supervision	\$500.00 /day	37 Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking				\$4,000	\$4,000	\$8,000
Insurance				\$9,500		\$9,500
Overhead	\$250.00 /day	37 Drill	19 Complete	\$9,250	\$4,750	\$14,000
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0% of Total			\$75,200	\$38,500	\$113,700
<b>TOTAL INTANGIBLES</b>				<b>\$826,950</b>	<b>\$423,750</b>	<b>\$1,250,700</b>
<b>TANGIBLES:</b>						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of 13-3/8 LS OD,	48 #/ft, @	\$18.00 / foot		\$8,100		\$8,100
Intermediate Casing -						
4,900 ft of 8-5/8" OD,	24 & 32 #/ft, @	\$11.50 / foot		\$56,350		\$56,350
Producing Casing -						
11,400 ft of 5-1/2" OD,	17 & 20 #/ft, @	\$9.00 / foot			\$102,600	\$102,600
Liner -						
300 ft of 4" FJ OD,	12.9 #/ft, @	\$6.50 / foot			\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8" OD,	N-80 6.5 #/ft, @	\$3.85 / foot			\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG OD,		\$3.00 / foot			\$19,800	\$19,800
4,400 ft of 7/8" & 1.5" OD,		\$2.00 / foot			\$8,800	\$8,800
Pumping Unit / Motor	API Size 640 Used	Motor HP 50			\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$7,000	Tbg Head \$10,000	Valves \$4,500	\$7,000	\$14,500	\$21,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters \$3,000	Dehyd		\$5,500	\$5,500
Flowlines	1,500 ft of	3" Steel OD, @	\$3.50 / foot		\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
<b>TOTAL TANGIBLES</b>				<b>\$71,450</b>	<b>\$280,790</b>	<b>\$352,240</b>
<b>TOTAL WELL COST COMPLETED</b>				<b>\$898,400</b>	<b>\$704,540</b>	<b>\$1,602,940</b>

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 4,900' and set 8-5/8" casing.  
 Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and evaluate Wolfcamp & Strawn (D&T costs).  
 PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', MD 13,350' to specific BHL per detail.  
 Run optional 4" FJ liner, acidize and equip w/ BPU if required.

Prepared By: M. Stewart Initials: [Signature] Title: Engineer Date: 04/19/02

Approval Company: \_\_\_\_\_ By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Share %: 100.0000% Net \$ Amount: \$1,602,940

Chambers 9m

**PERMIAN RESOURCES, INC.**

April 12, 2002

Satirios Rallis  
General Delivery  
Silivena Eqialias, Greece

**RE: CHAMBERS PROSPECT**  
T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
As to the Strawn Formation

Dear Satirios:

County records indicate that you own a 0.125% Mineral Interest in the referenced tract, which equates to 0.100 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$10.00. However, in order to get the lease expedited I am willing to give you a check in the amount of \$50.00 which would equate to approximately \$500.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

In the alternative if you would like to participate in the drilling of our Chambers Horizontal Well located at a legal location of our choice, I've enclosed an Authority for Expenditure which sets out the cost associated with drilling the well. Your proportionate share of dry hole cost is calculated by multiplying your mineral interest by the dollar figure listed under the drilling test column of \$898,400.00 for a total cost to you of \$1,123.00.


Further, if you elect not to participate in the well Permian Resources Holdings, Inc. will set a hearing before the Oil Conservation Commission in the State of New Mexico to force pool your interest into our drilling unit. At which time you would not loose your interest, however we would be able to drill our well with your interest contributed to our unit until we earned our investment back plus a penalty assessed by the Commission.

If I do not hear from you within 10 days from the receipt of this letter I will assume you choose not to lease or participate.

Page Two  
April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,



William L. Porter, CDE  
Land Manager

## OIL & GAS LEASE

THIS AGREEMENT made this **12th day of April, 2002** between **Satirios Rallis, dealing in his sole and separate property, General Delivery, Silivena Eqialias, Greece** herein called Lessor (whether one or more) and **PERMIAN RESOURCES HOLDINGS, INC., P.O. Box 590, Midland, TX 79702**, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in **Lea County, New Mexico**, to wit:

### S/2SE/4 Section 7, T-16-S, R-36-E, NMPM

Said land is estimated to comprise **80.0** acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of **Three** years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, **Three-sixteenths** of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of **Three-sixteenths** of the gas used, provided that on gas sold on or off the premises, the royalties shall be **Three-sixteenths** of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Satirios Rallis

STATE OF \_\_\_\_\_

§

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COUNTY OF

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This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by  
Satirios Rallis.

My Commission Expires

\_\_\_\_\_  
Notary Public, State of \_\_\_\_\_

Printed Name: \_\_\_\_\_

PERMIAN RESOURCES, INC.  
DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLFCAMP)  
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 PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
<b>INTANGIBLES:</b>						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	35.0 days @	\$9,200 /day		\$322,000		\$322,000
Contract Drlg - Day work	13.0 days @	\$9,200 /day			\$119,600	\$119,600
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water	\$15,000	\$42,000	\$15,300	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$30,000				\$30,000	\$30,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$16,000	Coring		\$16,000		\$16,000
Cased Hole Logging					\$10,000	\$10,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$16,000		\$16,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe	\$15,000	Tubing	BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals		Frac Tanks		\$2,500	\$2,500	\$5,000
Mud & Chemicals				\$30,000	\$10,000	\$40,000
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Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0% of Total			\$75,200	\$38,500	\$113,700
<b>TOTAL INTANGIBLES</b>				<b>\$826,950</b>	<b>\$423,750</b>	<b>\$1,250,700</b>
<b>TANGIBLES:</b>						
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Surface Casing -						
450 ft of 13-3/8 LS	OD,	48 #/ft, @	\$18.00 / foot	\$8,100		\$8,100
Intermediate Casing -						
4,900 ft of 8-5/8"	OD,	24 & 32 #/ft, @	\$11.50 / foot	\$56,350		\$56,350
Producing Casing -						
11,400 ft of 5-1/2"	OD,	17 & 20 #/ft, @	\$9.00 / foot		\$102,600	\$102,600
Liner -						
300 ft of 4" FJ	OD,	12.9 #/ft, @	\$6.50 / foot		\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8"	OD,	N-80 6.5 #/ft, @	\$3.85 / foot		\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG	OD,		\$3.00 / foot		\$19,800	\$19,800
4,400 ft of 7/8" & 1.5"	OD,		\$2.00 / foot		\$8,800	\$8,800
Pumping Unit / Motor	API Size	640 Used	Motor HP 50		\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$7,000	Tbg Head	\$10,000	\$7,000	\$14,500	\$21,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters	\$3,000		\$5,500	\$5,500
Flowlines	1,500	ft of 3" Steel	OD, @ \$3.50 / foot		\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
<b>TOTAL TANGIBLES</b>				<b>\$71,450</b>	<b>\$280,790</b>	<b>\$352,240</b>
<b>TOTAL WELL COST COMPLETED</b>				<b>\$898,400</b>	<b>\$704,540</b>	<b>\$1,602,940</b>

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 4,900' and set 8-5/8" casing.  
Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and evaluate Wolfcamp & Strawn (D&T costs).  
PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', MD 13,350' to specific BHL per detail.  
Run optional 4" FJ liner, acidize and equip w/ BPU if required.

Prepared By: M. Stewart Initials:  Title: Engineer Date: 04/19/02

Approval  
Company: \_\_\_\_\_ By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Share %: 100.0000% Net \$ Amount: \$1,602,940

*Chambers 9/11*

**PERMIAN RESOURCES, INC.**

April 12, 2002

Sotirios Papdopoulos  
Lot 4, Whitebread Place  
North Rocks 2151  
Sidney, Australia

**RE: CHAMBERS PROSPECT**  
T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
- As to the Strawn Formation

Dear Sotirios:

County records indicate that you own a 0.15625% Mineral Interest in the referenced tract, which equates to 0.125 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$12.50. However, in order to get the lease expedited I am willing to give you a check in the amount of \$50.00 which would equate to approximately \$400.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

In the alternative if you would like to participate in the drilling of our Chambers Horizontal Well located at a legal location of our choice, I've enclosed an Authority for Expenditure which sets out the cost associated with drilling the well. Your proportionate share of dry hole cost is calculated by multiplying your mineral interest by the dollar figure listed under the drilling test column of \$898,400.00 for a total cost to you of \$1,403.75.

Further, if you elect not to participate in the well Permian Resources Holdings, Inc. will set a hearing before the Oil Conservation Commission in the State of New Mexico to force pool your interest into our drilling unit. At which time you would not loose your interest, however we would be able to drill our well with your interest contributed to our unit until we earned our investment back plus a penalty assessed by the Commission.

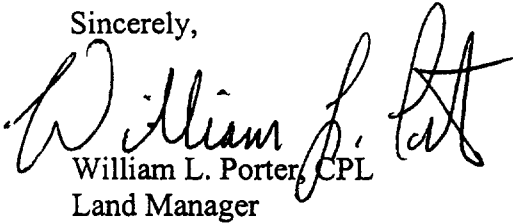
If I do not hear from you within 10 days from the receipt of this letter I will assume you choose not to lease or participate.



Page Two  
April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "William L. Porter". The signature is written in black ink and is positioned above the printed name and title.

William L. Porter, CPL  
Land Manager

## OIL & GAS LEASE

THIS AGREEMENT made this 12th day of April, 2002 between **Sotirios Papadopoulos, dealing in his sole and separate property, Lot 4, Whitebread Place, North Rocks 2151, Sidney, Australia** herein called Lessor (whether one or more) and **PERMIAN RESOURCES HOLDINGS, INC., P.O. Box 590, Midland, TX 79702,** Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to wit:

### S/2SE/4 Section 7, T-16-S, R-36-E, NMPM

Said land is estimated to comprise 80.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of **Three** years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, **Three-sixteenths** of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of **Three-sixteenths** of the gas used, provided that on gas sold on or off the premises, the royalties shall be **Three-sixteenths** of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Sotirios Papadopoulos

STATE OF \_\_\_\_\_

§

COUNTY OF \_\_\_\_\_

§

§

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by  
Sotirios Papadopoulos.


My Commission Expires \_\_\_\_\_

\_\_\_\_\_  
Notary Public, State of \_\_\_\_\_

Printed Name: \_\_\_\_\_

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

Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLFCAMP)  
 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 PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
<b>INTANGIBLES:</b>						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	35.0 days @	\$9,200 /day		\$322,000		\$322,000
Contract Drlg - Day work	13.0 days @	\$9,200 /day			\$119,600	\$119,600
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water	\$15,000	\$42,000	\$15,300	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$30,000				\$30,000	\$30,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$16,000	Coring		\$16,000		\$16,000
Cased Hole Logging					\$10,000	\$10,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$16,000		\$16,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe	\$15,000	Tubing	BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals		Frac Tanks		\$2,500	\$2,500	\$5,000
Mud & Chemicals				\$30,000	\$10,000	\$40,000
Rig Supervision	\$500.00 /day	37 Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking				\$4,000	\$4,000	\$8,000
Insurance				\$9,500		\$9,500
Overhead	\$250.00 /day	37 Drill	19 Complete	\$9,250	\$4,750	\$14,000
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0% of Total			\$75,200	\$38,500	\$113,700
<b>TOTAL INTANGIBLES</b>				<b>\$826,950</b>	<b>\$423,750</b>	<b>\$1,250,700</b>
<b>TANGIBLES:</b>						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of	13-3/8 LS	OD,	48 #/ft, @	\$18.00 / foot		\$8,100
Intermediate Casing -						
4,900 ft of	8-5/8"	OD,	24 & 32 #/ft, @	\$11.50 / foot		\$56,350
Producing Casing -						
11,400 ft of	5-1/2"	OD,	17 & 20 #/ft, @	\$9.00 / foot	\$102,600	\$102,600
Liner -						
300 ft of	4" FJ	OD,	12.9 #/ft, @	\$6.50 / foot	\$1,950	\$1,950
Tubing -						
11,400 ft of	2-7/8"	OD,	N-80 6.5 #/ft, @	\$3.85 / foot	\$43,890	\$43,890
Rods -						
6,600 ft of	1.2" FG	OD,		\$3.00 / foot	\$19,800	\$19,800
4,400 ft of	7/8" & 1.5"	OD,		\$2.00 / foot	\$8,800	\$8,800
Pumping Unit / Motor	API Size	640 Used	Motor HP	50	\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$7,000	Tbg Head	\$10,000	Valves	\$4,500	\$21,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters	\$3,000	Dehyd		\$5,500
Flowlines	1,500	ft of	3" Steel OD, @	\$3.50 / foot	\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
<b>TOTAL TANGIBLES</b>				<b>\$71,450</b>	<b>\$280,790</b>	<b>\$352,240</b>
<b>TOTAL WELL COST COMPLETED</b>				<b>\$898,400</b>	<b>\$704,540</b>	<b>\$1,602,940</b>
<b>REMARKS:</b>						
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 4,900' and set 8-5/8" casing.						
Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and evaluate Wolfcamp & Strawn (D&T costs).						
PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', MD 13,350' to specific BHL per detail.						
Run optional 4" FJ liner, acidize and equip w/ BPU if required.						
Prepared By:	M. Stewart	Initials:		Title: Engineer	Date:	04/19/02
Approval Company:		By:		Title:	Date:	
Share %:	100.0000%	Net \$ Amount:		\$1,602,940		

Chambers 9/4

**PERMIAN RESOURCES, INC.**

April 12, 2002

Ms. Mary Van Wyk  
7562 S. University  
Littleton, Colorado 80122

**RE: CHAMBERS PROSPECT**  
T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
As to the Strawn Formation

Dear Mary:

County records indicate that you own a .4523857% Mineral Interest in the referenced tract, which equates to .36190856 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$36.19. However, in order to get the lease expedited I am willing to give you a check in the amount of \$50.00 which would equate to approximately \$140.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

In the alternative if you would like to participate in the drilling of our Chambers Horizontal Well located at a legal location of our choice, I've enclosed an Authority for Expenditure which sets out the cost associated with drilling the well. Your proportionate share of dry hole cost is calculated by multiplying your mineral interest by the dollar figure listed under the drilling test column of \$898,400.00 for a total cost to you of \$4,064.23.

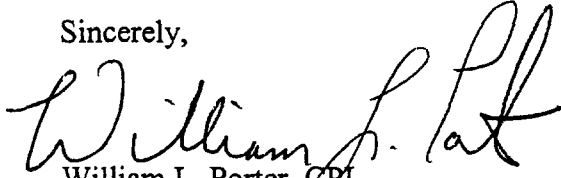
Further, if you elect not to participate in the well Permian Resources Holdings, Inc. will set a hearing before the Oil Conservation Commission in the State of New Mexico to force pool your interest into our drilling unit. At which time you would not loose your interest, however we would be able to drill our well with your interest contributed to our unit until we earned our investment back plus a penalty assessed by the Commission.

If I do not hear from you within 10 days from the receipt of this letter I will assume you choose not to lease or participate.

Page Two  
April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,



William L. Porter, CPL  
Land Manager

## OIL & GAS LEASE

THIS AGREEMENT made this 22nd day of April, 2002 between Mary Van Wyk, dealing in her sole and separate property, 7562 S. University Blvd., Littleton, Colorado 80122 herein called Lessor (whether one or more) and PERMIAN RESOURCES HOLDINGS, INC., P.O. Box 590, Midland, TX 79702, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to wit:

### S/2SE/4 Section 7, T-16-S, R-36-E, NMPM

Said land is estimated to comprise 80.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, ~~Three-sixteenths~~ of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of ~~Three-sixteenths~~ of the gas used, provided that on gas sold on or off the premises, the royalties shall be ~~Three-sixteenths~~ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Mary Van Wyk

STATE OF COLORADO

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COUNTY OF

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This instrument was acknowledged before me on the      day of      , 2002 by  
Mary Van Wyk.

My Commission Expires

\_\_\_\_\_  
Notary Public, State of Colorado

Printed Name: \_\_\_\_\_



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

Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLF CAMP)  
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 PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
<b>INTANGIBLES:</b>						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	35.0 days @	\$9,200 /day		\$322,000		\$322,000
Contract Drlg - Day work	13.0 days @	\$9,200 /day			\$119,600	\$119,600
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water	\$15,000	\$42,000	\$15,300	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$30,000				\$30,000	\$30,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$16,000	Coring		\$16,000		\$16,000
Cased Hole Logging					\$10,000	\$10,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$16,000		\$16,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe	\$15,000	Tubing	BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals	Frac Tanks			\$2,500	\$2,500	\$5,000
Mud & Chemicals				\$30,000	\$10,000	\$40,000
Rig Supervision	\$500.00 /day	37 Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking				\$4,000	\$4,000	\$8,000
Insurance				\$9,500		\$9,500
Overhead	\$250.00 /day	37 Drill	19 Complete	\$9,250	\$4,750	\$14,000
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0% of Total			\$75,200	\$38,500	\$113,700
<b>TOTAL INTANGIBLES</b>				<b>\$826,950</b>	<b>\$423,750</b>	<b>\$1,250,700</b>
<b>TANGIBLES:</b>						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of 13-3/8 LS	OD,	48 #/ft. @	\$18.00 / foot	\$8,100		\$8,100
Intermediate Casing -						
4,900 ft of 8-5/8"	OD,	24 & 32 #/ft. @	\$11.50 / foot	\$56,350		\$56,350
Producing Casing -						
11,400 ft of 5-1/2"	OD,	17 & 20 #/ft. @	\$9.00 / foot		\$102,600	\$102,600
Liner -						
300 ft of 4" FJ	OD,	12.9 #/ft. @	\$6.50 / foot		\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8"	OD,	N-80 6.5 #/ft. @	\$3.85 / foot		\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG	OD,		\$3.00 / foot		\$19,800	\$19,800
4,400 ft of 7/8" & 1.5"	OD,		\$2.00 / foot		\$8,800	\$8,800
Pumping Unit / Motor	API Size	640 Used	Motor HP 50		\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$7,000	Tbg Head	\$10,000	\$7,000	\$14,500	\$21,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters	\$3,000		\$5,500	\$5,500
Flowlines	1,500	ft of 3" Steel	OD, @ \$3.50 / foot		\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
<b>TOTAL TANGIBLES</b>				<b>\$71,450</b>	<b>\$280,790</b>	<b>\$352,240</b>
<b>TOTAL WELL COST COMPLETED</b>				<b>\$898,400</b>	<b>\$704,540</b>	<b>\$1,602,940</b>

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 4,900' and set 8-5/8" casing.  
Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and evaluate Wolfcamp & Strawn (D&T costs).  
PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', MD 13,350' to specific BHL per detail.  
Run optional 4" FJ liner, acidize and equip w/ BPU if required.

Prepared By: M. Stewart Initials: MS Title: Engineer Date: 04/19/02

Approval  
Company: \_\_\_\_\_ By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Share %: 100.0000% Net \$ Amount: \$1,602,940

Chambers 9/11

**PERMIAN RESOURCES, INC.**

April 12, 2002

Nancy Fox  
16 Aurielle Drive  
Colchester, Vermont 05446

**RE: CHAMBERS PROSPECT**  
T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
• As to the Strawn Formation

Dear Nancy:

County records indicate that you own a .4523857% Mineral Interest in the referenced tract, which equates to .36190856 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$36.19. However, in order to get the lease expedited I am willing to give you a check in the amount of \$50.00 which would equate to approximately \$140.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

In the alternative if you would like to participate in the drilling of our Chambers Horizontal Well located at a legal location of our choice, I've enclosed an Authority for Expenditure which sets out the cost associated with drilling the well. Your proportionate share of dry hole cost is calculated by multiplying your mineral interest by the dollar figure listed under the drilling test column of \$898,400.00 for a total cost to you of \$4,064.23.

Further, if you elect not to participate in the well Permian Resources Holdings, Inc. will set a hearing before the Oil Conservation Commission in the State of New Mexico to force pool your interest into our drilling unit. At which time you would not loose your interest, however we would be able to drill our well with your interest contributed to our unit until we earned our investment back plus a penalty assessed by the Commission.

If I do not hear from you within 10 days from the receipt of this letter I will assume you choose not to lease or participate.

Page Two  
April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "William L. Porter". The signature is stylized with a large, flowing "W" and a distinct "P" at the end.

William L. Porter, CPL  
Land Manager

## OIL & GAS LEASE

THIS AGREEMENT made this 12th day of April, 2002 between Nancy Fox, dealing in her sole and separate property, 16 Aurielle, Colchester, Vermont 05446 herein called Lessor (whether one or more) and PERMIAN RESOURCES HOLDINGS, INC., P.O. Box 590, Midland, TX 79702, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to wit:

### S/2SE/4 Section 7, T-16-S, R-36-E, NMPM

Said land is estimated to comprise 80.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, ~~Three-sixteenths~~ of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of ~~Three-sixteenths~~ of the gas used, provided that on gas sold on or off the premises, the royalties shall be ~~Three-sixteenths~~ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duty shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Nancy Fox

STATE OF VERMONT

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COUNTY OF

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This instrument was acknowledged before me on the      day of      , 2002 by  
Nancy Fox.

My Commission Expires

\_\_\_\_\_  
Notary Public, State of Vermont

Printed Name: \_\_\_\_\_

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

Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLFCAMP)  
 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 PUMPING OIL WELL, MD 13,200'

CATEGORY	DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
<b>INTANGIBLES:</b>			
Build roads, locaton, pits & survey \$25,000 Damages \$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization	\$30,000		\$30,000
Contract Drlg - Day work 35.0 days @ \$9,200 /day	\$322,000		\$322,000
Contract Drlg - Day work 13.0 days @ \$9,200 /day		\$119,600	\$119,600
Contract Drlg - Footage	\$0		\$0
Bits	\$65,000	\$45,000	\$110,000
Fuel & Power \$42,300 Water \$15,000	\$42,000	\$15,300	\$57,300
Completion Rig 6 days @ \$2,100 /day		\$12,600	\$12,600
Cement Surface \$5,500 Cement Intermediate \$20,000	\$25,500		\$25,500
Cement Production \$30,000		\$30,000	\$30,000
Casing Tools and Crews	\$5,500	\$7,000	\$12,500
P & A	\$8,000		\$8,000
Open Hole Logging	\$18,000		\$18,000
Mud Logging \$16,000 Coring	\$16,000		\$16,000
Cased Hole Logging		\$10,000	\$10,000
Perforating open-hole completion		\$0	\$0
DST/Testing	\$16,000		\$16,000
Stimulation - Acid \$15,000 Stimulation - Fracture \$0		\$15,000	\$15,000
Special Services Directional Services, Motors, MWD	\$85,000	\$65,000	\$150,000
Rentals - Surface Rotating Head, Gas Sep., Housing	\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment Whipstock, Pkrs., X-overs, Valves	\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe \$15,000 Tubing BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals Frac Tanks	\$2,500	\$2,500	\$5,000
Mud & Chemicals	\$30,000	\$10,000	\$40,000
Rig Supervision \$500.00 /day 37 Drill 13 Complete	\$18,500	\$6,500	\$25,000
Trucking	\$4,000	\$4,000	\$8,000
Insurance	\$9,500		\$9,500
Overhead \$250.00 /day 37 Drill 19 Complete	\$9,250	\$4,750	\$14,000
Well Equipment - Intangible Installation	\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation		\$7,500	\$7,500
Contingencies @ 10.0% of Total	\$75,200	\$38,500	\$113,700
<b>TOTAL INTANGIBLES</b>	<b>\$826,950</b>	<b>\$423,750</b>	<b>\$1,250,700</b>
<b>TANGIBLES:</b>			
Well Equipment - Non Controllable			
Surface Casing - 450 ft of 13-3/8 LS OD, 48 #/ft. @ \$18.00 / foot	\$8,100		\$8,100
Intermediate Casing - 4,900 ft of 8-5/8" OD, 24 & 32 #/ft. @ \$11.50 / foot	\$56,350		\$56,350
Producing Casing - 11,400 ft of 5-1/2" OD, 17 & 20 #/ft. @ \$9.00 / foot		\$102,600	\$102,600
Liner - 300 ft of 4" FJ OD, 12.9 #/ft. @ \$6.50 / foot		\$1,950	\$1,950
Tubing - 11,400 ft of 2-7/8" OD, N-80 6.5 #/ft. @ \$3.85 / foot		\$43,890	\$43,890
Rods - 6,600 ft of 1.2" FG OD, \$3.00 / foot		\$19,800	\$19,800
4,400 ft of 7/8" & 1.5" OD, \$2.00 / foot		\$8,800	\$8,800
Pumping Unit / Motor API Size 640 Used Motor HP 50		\$45,000	\$45,000
Subsurface Pumps		\$5,000	\$5,000
Other Control Subsurface		\$2,500	\$2,500
Wellhead Equipment \$7,000 Tbg Head \$10,000 Valves \$4,500	\$7,000	\$14,500	\$21,500
Lease Equipment - Non Controllable		\$1,500	\$1,500
Separators \$2,500 Treaters \$3,000 Dehyd		\$5,500	\$5,500
Flowlines 1,500 ft of 3" Steel OD, @ \$3.50 / foot		\$5,250	\$5,250
Tanks 2 - 500 Bbl Oil Tanks Used		\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.		\$5,000	\$5,000
Compressors			\$0
Pumps			\$0
Electrical Systems 3 Poles, slack span, meter loop		\$3,500	\$3,500
Fittings		\$4,500	\$4,500
Other Control Lease Equipment POC		\$3,500	\$3,500
<b>TOTAL TANGIBLES</b>	<b>\$71,450</b>	<b>\$280,790</b>	<b>\$352,240</b>
<b>TOTAL WELL COST COMPLETED</b>	<b>\$898,400</b>	<b>\$704,540</b>	<b>\$1,602,940</b>

**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 4,900' and set 8-5/8" casing.  
 Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and evaluate Wolfcamp & Strawn (D&T costs).  
 PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', MD 13,350' to specific BHL per detail.  
 Run optional 4" FJ liner, acidize and equip w/ BPU if required.

Prepared By: M. Stewart Initials: [Signature] Title: Engineer Date: 04/19/02  
 Approval Company: \_\_\_\_\_ By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_  
 Share %: 100.0000% Net \$ Amount: \$1,602,940

Chambers C/m

**PERMIAN RESOURCES, INC.**

April 12, 2002

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

**RE: CHAMBERS PROSPECT**

- T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
As to the Strawn Formation

Dear James:

County records indicate that you own a .4523857% Mineral Interest in the referenced tract, which equates to .36190856 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$36.19. However, in order to get the lease expedited I am willing to give you a check in the amount of \$50.00 which would equate to approximately \$140.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

In the alternative if you would like to participate in the drilling of our Chambers Horizontal Well located at a legal location of our choice, I've enclosed an Authority for Expenditure which sets out the cost associated with drilling the well. Your proportionate share of dry hole cost is calculated by multiplying your mineral interest by the dollar figure listed under the drilling test column of \$898,400.00 for a total cost to you of \$4,064.23.

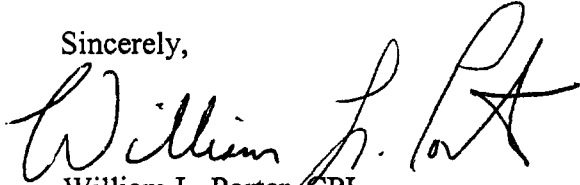
Further, if you elect not to participate in the well Permian Resources Holdings, Inc. will set a hearing before the Oil Conservation Commission in the State of New Mexico to force pool your interest into our drilling unit. At which time you would not loose your interest, however we would be able to drill our well with your interest contributed to our unit until we earned our investment back plus a penalty assessed by the Commission.

If I do not hear from you within 10 days from the receipt of this letter I will assume you choose not to lease or participate.

Page Two  
April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,



William L. Porter, CPL  
Land Manager



## OIL & GAS LEASE

THIS AGREEMENT made this 12th day of April, 2002 between James I. Holden, Jr. , dealing in his sole and separate property, 2250 Havensridge Drive, Colorado Springs, CO 80920 herein called Lessor (whether one or more) and PERMIAN RESOURCES HOLDINGS, INC., P.O. Box 590, Midland, TX 79702, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to wit:

### S/2SE/4 Section 7, T-16-S, R-36-E, NMPM

Said land is estimated to comprise 80.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, ~~Three-sixteenths~~ of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of ~~Three-sixteenths~~ of the gas used, provided that on gas sold on or off the premises, the royalties shall be ~~Three-sixteenths~~ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

James I. Holden, Jr.

STATE OF COLORADO

§

§

COUNTY OF

§

This instrument was acknowledged before me on the      day of      , 2002 by  
James I. Holden, Jr.

My Commission Expires

\_\_\_\_\_  
Notary Public, State of Colorado  
Printed Name: \_\_\_\_\_

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

Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLFCAMP)  
 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 PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES:						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	35.0 days @	\$9,200 /day		\$322,000		\$322,000
Contract Drlg - Day work	13.0 days @	\$9,200 /day			\$119,600	\$119,600
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water	\$15,000	\$42,000	\$15,300	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$30,000				\$30,000	\$30,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$16,000	Coring		\$16,000		\$16,000
Cased Hole Logging					\$10,000	\$10,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$16,000		\$16,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe	\$15,000	Tubing	BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals		Frac Tanks		\$2,500	\$2,500	\$5,000
Mud & Chemicals				\$30,000	\$10,000	\$40,000
Rig Supervision	\$500.00 /day	37 Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking				\$4,000	\$4,000	\$8,000
Insurance				\$9,500		\$9,500
Overhead	\$250.00 /day	37 Drill	19 Complete	\$9,250	\$4,750	\$14,000
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0% of Total			\$75,200	\$38,500	\$113,700
TOTAL INTANGIBLES				\$826,950	\$423,750	\$1,250,700
TANGIBLES:						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of 13-3/8 LS OD,	48 #/ft, @	\$18.00 / foot		\$8,100		\$8,100
Intermediate Casing -						
4,900 ft of 8-5/8" OD,	24 & 32 #/ft, @	\$11.50 / foot		\$56,350		\$56,350
Producing Casing -						
11,400 ft of 5-1/2" OD,	17 & 20 #/ft, @	\$9.00 / foot			\$102,600	\$102,600
Liner -						
300 ft of 4" FJ OD,	12.9 #/ft, @	\$6.50 / foot			\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8" OD,	N-80 6.5 #/ft, @	\$3.85 / foot			\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG OD,		\$3.00 / foot			\$19,800	\$19,800
4,400 ft of 7/8" & 1.5" OD,		\$2.00 / foot			\$8,800	\$8,800
Pumping Unit / Motor	API Size	640 Used	Motor HP	50	\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$7,000	Tbg Head	\$10,000	Valves	\$4,500	\$21,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters	\$3,000	Dehyd		\$5,500
Flowlines	1,500	ft of 3" Steel OD, @	\$3.50 / foot		\$5,250	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
TOTAL TANGIBLES				\$71,450	\$280,790	\$352,240
TOTAL WELL COST COMPLETED				\$898,400	\$704,540	\$1,602,940

Chambers 9/4

**PERMIAN RESOURCES, INC.**

April 12, 2002

Miriam P. Christopher  
566 Willow Rd.  
Winnetka, IL 60093-4138

**RE: CHAMBERS PROSPECT**  
T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
As to the Strawn Formation

Dear Miriam:

County records indicate that you own a 1.4286% Mineral Interest in the referenced tract, which equates to 1.14288 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$142.88. However, in order to get the lease expedited I am willing to give you a check in the amount of \$200.00 which would equate to approximately \$175.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

In the alternative if you would like to participate in the drilling of our Chambers Horizontal Well located at a legal location of our choice, I've enclosed an Authority for Expenditure which sets out the cost associated with drilling the well. Your proportionate share of dry hole cost is calculated by multiplying your mineral interest by the dollar figure listed under the drilling test column of \$898,400.00 for a total cost to you of \$12,834.54.

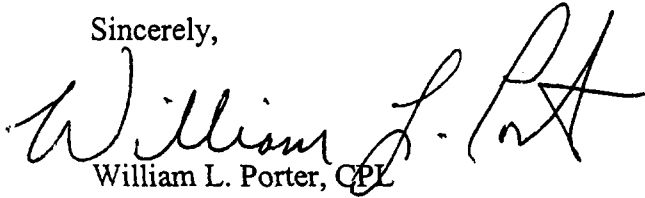
Further, if you elect not to participate in the well Permian Resources Holdings, Inc. will set a hearing before the Oil Conservation Commission in the State of New Mexico to force pool your interest into our drilling unit. At which time you would not loose your interest, however we would be able to drill our well with your interest contributed to our unit until we earned our investment back plus a penalty assessed by the Commission.

If I do not hear from you within 10 days from the receipt of this letter I will assume you choose not to lease or participate.

Page Two  
April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "William L. Porter". The signature is fluid and cursive, with a large, stylized "W" and "P".

William L. Porter, CPL  
Land Manager

## OIL & GAS LEASE

THIS AGREEMENT made this 12th day of April, 2002 between **Miriam P. Christopher**, dealing in her sole and separate property 566 Willow Rd., Winnetka, IL 60093-4138 herein called Lessor (whether one or more) and **PERMIAN RESOURCES HOLDINGS, INC.**, P.O. Box 590, Midland, TX 79702, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to wit:

### S/2SE/4 Section 7, T-16-S, R-36-E, NMPM

Said land is estimated to comprise 80.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of **Three** years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, ~~Three-sixteenths~~ of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of ~~Three-sixteenths~~ of the gas used, provided that on gas sold on or off the premises, the royalties shall be ~~Three-sixteenths~~ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

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Miriam P. Christopher

STATE OF ILLINOIS

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COUNTY OF

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This instrument was acknowledged before me on the      day of      , 2002 by  
Miriam P. Christopher.

My Commission Expires

\_\_\_\_\_  
Notary Public, State of Illinois


Printed Name: \_\_\_\_\_

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

Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLFCAMP)  
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 PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
<b>INTANGIBLES:</b>						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	35.0 days @	\$9,200 /day		\$322,000		\$322,000
Contract Drlg - Day work	13.0 days @	\$9,200 /day			\$119,600	\$119,600
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water	\$15,000	\$42,000	\$15,300	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$30,000				\$30,000	\$30,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$16,000	Coring		\$16,000		\$16,000
Cased Hole Logging					\$10,000	\$10,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$16,000		\$16,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe	\$15,000	Tubing	BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals		Frac Tanks		\$2,500	\$2,500	\$5,000
Mud & Chemicals				\$30,000	\$10,000	\$40,000
Rig Supervision	\$500.00 /day	37 Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking				\$4,000	\$4,000	\$8,000
Insurance				\$9,500		\$9,500
Overhead	\$250.00 /day	37 Drill	19 Complete	\$9,250	\$4,750	\$14,000
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0% of Total			\$75,200	\$38,500	\$113,700
<b>TOTAL INTANGIBLES</b>				<b>\$826,950</b>	<b>\$423,750</b>	<b>\$1,250,700</b>
<b>TANGIBLES:</b>						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of 13-3/8 LS OD,	48 #/ft. @	\$18.00 / foot		\$8,100		\$8,100
Intermediate Casing -						
4,900 ft of 8-5/8" OD,	24 & 32 #/ft. @	\$11.50 / foot		\$56,350		\$56,350
Producing Casing -						
11,400 ft of 5-1/2" OD,	17 & 20 #/ft. @	\$9.00 / foot			\$102,600	\$102,600
Liner -						
300 ft of 4" FJ OD,	12.9 #/ft. @	\$6.50 / foot			\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8" OD,	N-80 6.5 #/ft. @	\$3.85 / foot			\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG OD,		\$3.00 / foot			\$19,800	\$19,800
4,400 ft of 7/8" & 1.5" OD,		\$2.00 / foot			\$8,800	\$8,800
Pumping Unit / Motor	API Size	640 Used	Motor HP	50	\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$7,000	Tbg Head	\$10,000	Valves	\$4,500	
Lease Equipment - Non Controllable					\$14,500	\$21,500
Separators	\$2,500	Treaters	\$3,000	Dehyd		\$1,500
Flowlines	1,500	ft of 3" Steel OD, @	\$3.50 / foot		\$5,500	\$5,500
Tanks		2 - 500 Bbl Oil Tanks Used			\$5,250	\$5,250
Sales Equipment/Meter Runs, etc.					\$8,000	\$8,000
Compressors					\$5,000	\$5,000
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$0	\$0
Fittings					\$3,500	\$3,500
Other Control Lease Equipment	POC				\$4,500	\$4,500
<b>TOTAL TANGIBLES</b>				<b>\$71,450</b>	<b>\$280,790</b>	<b>\$352,240</b>
<b>TOTAL WELL COST COMPLETED</b>				<b>\$898,400</b>	<b>\$704,540</b>	<b>\$1,602,940</b>

**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 4,900' and set 8-5/8" casing.  
Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and evaluate Wolfcamp & Strawn (D&T costs).  
PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', MD 13,350' to specific BHL per detail.  
Run optional 4" FJ liner, acidize and equip w/ BPU if required.

Prepared By: M. Stewart Initials:  Title: Engineer Date: 04/19/02  
Approval Company: \_\_\_\_\_ By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_  
Share %: 100.0000% Net \$ Amount: \$1,602,940



Chambers 9m

# PERMIAN RESOURCES, INC.

April 12, 2002

David R. Marshall  
c/o Nancy Fox  
16 Aurielle Drive  
Colchester, Vermont 05446

**RE: CHAMBERS PROSPECT**  
T-16-S, R-36-E, NMPM  
Section 7: S/2 SE/4  
Lea County, New Mexico  
Containing 80 acres more or less  
- As to the Strawn Formation

Dear David:

County records indicate that you own a .4523857% Mineral Interest in the referenced tract, which equates to .36190856 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16<sup>th</sup> royalty and a 3 year term paid up oil and gas lease for your interest. At that rate you would receive a check in the amount of \$36.19. However, in order to get the lease expedited I am willing to give you a check in the amount of \$50.00 which would equate to approximately \$140.00 per net acre which is more than I've paid the other owners in this tract. Please be advised that this an offer to lease not to buy.

In the alternative if you would like to participate in the drilling of our Chambers Horizontal Well located at a legal location of our choice, I've enclosed an Authority for Expenditure which sets out the cost associated with drilling the well. Your proportionate share of dry hole cost is calculated by multiplying your mineral interest by the dollar figure listed under the drilling test column of \$898,400.00 for a total cost to you of \$4,064.23.

Further, if you elect not to participate in the well Permian Resources Holdings, Inc. will set a hearing before the Oil Conservation Commission in the State of New Mexico to force pool your interest into our drilling unit. At which time you would not loose your interest, however we would be able to drill our well with your interest contributed to our unit until we earned our investment back plus a penalty assessed by the Commission.

If I do not hear from you within 10 days from the receipt of this letter I will assume you choose not to lease or participate.

## OIL & GAS LEASE

THIS AGREEMENT made this 12th day of April, 2002 between David R. Marshall, dealing in his sole and separate property, c/o Nancy Fox, 16 Aurielle, Colchester, Vermont 05446 herein called Lessor (whether one or more) and PERMIAN RESOURCES HOLDINGS, INC., P.O. Box 590, Midland, TX 79702, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to wit:

### S/2SE/4 Section 7, T-16-S, R-36-E, NMPM

Said land is estimated to comprise 80.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, ~~Three-sixteenths~~ of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of ~~Three-sixteenths~~ of the gas used, provided that on gas sold on or off the premises, the royalties shall be ~~Three-sixteenths~~ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

David R. Marshall

STATE OF VERMONT

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COUNTY OF

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This instrument was acknowledged before me on the      day of      , 2002 by  
David R. Marshall.

My Commission Expires

\_\_\_\_\_  
Notary Public, State of Vermont

Printed Name: \_\_\_\_\_

PERMIAN RESOURCES, INC.  
DRILL & COMPLETION DETAILED COST ESTIMATE


Lease Name: CHAMBERS Well No.: 2 Field: SHOE BAR, NORTH (WOLFCAMP)  
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 PUMPING OIL WELL, MD 13,200'

CATEGORY				DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
<b>INTANGIBLES:</b>						
Build roads, locaton, pits & survey	\$25,000	Damages	\$5,000	\$30,000		\$30,000
Contract Drlg - Mobilization				\$30,000		\$30,000
Contract Drlg - Day work	35.0 days @	\$9,200 /day		\$322,000		\$322,000
Contract Drlg - Day work	13.0 days @	\$9,200 /day			\$119,600	\$119,600
Contract Drlg - Footage	feet @	/foot		\$0		\$0
Bits				\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water	\$15,000	\$42,000	\$15,300	\$57,300
Completion Rig	6 days @	\$2,100 /day			\$12,600	\$12,600
Cement Surface	\$5,500	Cement Intermediate	\$20,000	\$25,500		\$25,500
Cement Production	\$30,000				\$30,000	\$30,000
Casing Tools and Crews				\$5,500	\$7,000	\$12,500
P & A				\$8,000		\$8,000
Open Hole Logging				\$18,000		\$18,000
Mud Logging	\$16,000	Coring		\$16,000		\$16,000
Cased Hole Logging					\$10,000	\$10,000
Perforating	open-hole completion				\$0	\$0
DST/Testing				\$16,000		\$16,000
Stimulation - Acid	\$15,000	Stimulation - Fracture	\$0		\$15,000	\$15,000
Special Services		Directional Services, Motors, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surface		Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Equipment		Whipstock, Pkrs., X-overs, Valves		\$5,000	\$5,000	\$10,000
Rentals - Drill Pipe	\$15,000	Tubing	BOP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rentals	Frac Tanks			\$2,500	\$2,500	\$5,000
Mud & Chemicals				\$30,000	\$10,000	\$40,000
Rig Supervision	\$500.00 /day	37 Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking				\$4,000	\$4,000	\$8,000
Insurance				\$9,500		\$9,500
Overhead	\$250.00 /day	37 Drill	19 Complete	\$9,250	\$4,750	\$14,000
Well Equipment - Intangible Installation				\$2,500	\$4,500	\$7,000
Lease Equipment - Intangible Installation					\$7,500	\$7,500
Contingencies @	10.0% of Total			\$75,200	\$38,500	\$113,700
<b>TOTAL INTANGIBLES</b>				<b>\$826,950</b>	<b>\$423,750</b>	<b>\$1,250,700</b>

<b>TANGIBLES:</b>						
Well Equipment - Non Controllable						
Surface Casing -						
450 ft of 13-3/8 LS	OD,	48 #/ft, @	\$18.00 / foot	\$8,100		\$8,100
Intermediate Casing -						
4,900 ft of 8-5/8"	OD,	24 & 32 #/ft, @	\$11.50 / foot	\$56,350		\$56,350
Producing Casing -						
11,400 ft of 5-1/2"	OD,	17 & 20 #/ft, @	\$9.00 / foot		\$102,600	\$102,600
Liner -						
300 ft of 4" FJ	OD,	12.9 #/ft, @	\$6.50 / foot		\$1,950	\$1,950
Tubing -						
11,400 ft of 2-7/8"	OD,	N-80 6.5 #/ft, @	\$3.85 / foot		\$43,890	\$43,890
Rods -						
6,600 ft of 1.2" FG	OD,		\$3.00 / foot		\$19,800	\$19,800
4,400 ft of 7/8" & 1.5"	OD,		\$2.00 / foot		\$8,800	\$8,800
Pumping Unit / Motor	API Size	640 Used	Motor HP	50	\$45,000	\$45,000
Subsurface Pumps					\$5,000	\$5,000
Other Control Subsurface					\$2,500	\$2,500
Wellhead Equipment	\$7,000	Tbg Head	\$10,000	Valves	\$4,500	\$21,500
Lease Equipment - Non Controllable					\$1,500	\$1,500
Separators	\$2,500	Treaters	\$3,000	Dehyd		\$5,500
Flowlines	1,500	ft of	3" Steel	OD, @	\$3.50 / foot	\$5,250
Tanks		2 - 500 Bbl Oil Tanks Used			\$8,000	\$8,000
Sales Equipment/Meter Runs, etc.					\$5,000	\$5,000
Compressors						\$0
Pumps						\$0
Electrical Systems	3 Poles, slack span, meter loop				\$3,500	\$3,500
Fittings					\$4,500	\$4,500
Other Control Lease Equipment	POC				\$3,500	\$3,500
<b>TOTAL TANGIBLES</b>				<b>\$71,450</b>	<b>\$280,790</b>	<b>\$352,240</b>

**TOTAL WELL 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 4,900' and set 8-5/8" casing.  
Drill 7-7/8" production hole to 10,000', KO build angle and drill to 11,400' log and evaluate Wolfcamp & Strawn (D&T costs).  
PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TVD 11,360', MD 13,350' to specific BHL per detail.  
Run optional 4" FJ liner, acidize and equip w/ BPU if required.

Prepared By: M. Stewart Initials:  Title: Engineer Date: 04/19/02  
Approval  
Company: \_\_\_\_\_ By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_  
Share %: 100.0000% Net \$ Amount: \$1,602,940