PERMIAN RESOURCES, TINC.

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April 12, 2002

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

RE: <u>CHAMBERS PROSPECT</u>

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 $3/16^{th}$ 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. Page Two April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,

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William L. Porter, CPL Land Manager

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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, 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 thereform, 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 is not 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 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 cartified mail from the party or parties who at the time of such payment (or cartified 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 pr

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. Dnilling 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. The production so allocated shall be considered for all purposes, including the payment or foryalty, 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 asid 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 Lessoe. 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 seate 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 such 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 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.

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: _____ 4

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				(LL & C(RESOURCES		MATE		
Lcase Name:	CHAMBERS					Well No.;	2		DE BAR, NORTH (WOLFC DE BAR, NE (STRAWN)	AMP)
Well Location:	SE/4 SE/4 (API	PROX 990' FS	L & 1100' FEI)			ECTION 7, T			
County:	LEA	10/1 //0 10	<u></u>	State:	NM -	Prop Depth		11,400 feet	AFE No.:	
Obj./ Form.				-				G OIL WELL, MD 13		
ooja rorm.	DRIEL VERT	CAL, KO HOI		OMPLETE	KIND EQUI	- 11,400 STKA			RUN CSG	
نستورد سال واستدارهوا			CATEGORY					DRILL VERT & TEST	DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES:			69 5 000							
Contract Drlg - N			\$25,000	Damages	\$5,000			\$30,000 \$30,000		\$30,000 \$30,000
Contract Drlg - D Contract Drlg - D	Day work		days @ _ days @ _	\$9,200 \$9,200	/day		_	\$322,000	\$119,600 -	\$322,000 \$119,600
Contract Drlg - F Bits	ootage		feet @ _		/foot		_	<u>\$0</u> \$65,000	\$45,000	\$0 \$110,000
Fuel & Power Completion Rig	<u>\$42,300</u>	Water days @	\$15,000 \$2,100	/dav			_	\$42,000	\$15,300 \$12,600	\$57,300 \$12,600
Cement Surface Cement Production	\$5,500		it Intermediate		\$20,000	-		\$25,500		\$25,500
Casing Tools and		330,000					-	\$5,500	\$30,000 \$7,000	\$30,000 \$12,500
P & A Open Hole Logg	ing							\$8,000 \$18,000		<u>\$8,000</u> \$18,000
Mud Logging Cased Hole Logg	\$16,000 ging	Coring					-	\$16,000	\$10,000	\$16,000 \$10,000
Perforating DST/Testing		open-hole co	mpletion					\$16,000	<u>\$0</u>	<u> </u>
Stimulation - Ac		\$15,000	•	on - Fracture		\$0	-		\$15,000	\$15,000
Special Services Rentals - Surface	8	Rotating He	services, Moto ad, Gas Sep., F	lousing			-	<u>\$85,000</u> \$7,500	<u>\$65,000</u> <u>\$2,500</u>	\$150,000 \$10,000
Rentals - BHA E Rentals -	Equipment Drill Pipe		Pkrs., X-overs, Tubing		BOP/CI	\$3,500		\$5,000	<u>\$5,000</u> \$18,500	<u>\$10,000</u> \$18,500
Miscellaneous R Mud & Chemica		Frac Tanks			•		-	\$2,500 \$30,000	<u>\$2,500</u> \$10,000	\$5,000 \$40,000
Rig Supervision		/day	37	Drill	13	Complete	-	\$18,500	\$6,500	\$25,000
Trucking Insurance							-	<u>\$4,000</u> \$9,500	\$4,000 -	<u> </u>
Overhead Well Equipment	\$250.00 - Intangible Install		37	Drill	19	Complete	_	<u>\$9,250</u> \$2,500	<u>\$4,750</u> \$4,500	<u>\$14,000</u> \$7,000
Lease Equipmen Contingencies (at - Intangible Install @		of Total				-	\$75,200	<u> </u>	\$7,500 \$113,700
TOTAL INTA			-				_	\$826,950	\$423,750	\$1,250,700
								40301/20		31,400,700
• •	- Non Controllable						_			
Surface Casing - 450 ft	of <u>13-3/8 L</u>	<u>s</u> od,	48	#/ft, @	\$18.00) / foot	_	\$8,100		\$8,100
Intermediate Ca 4,900 ft	sing - of 8-5/8	" OD,	24 & 32	#/ft, @	\$11.5) / foot	_	\$56,350		\$56,350
Producting Casi		_	17 & 20	-) / foot	-		£103 600	
Liner -				#/ft, @	·	-			\$102,600	\$102,600
<u> </u>	of4" F	<u>'I</u> OD,	12.9	#/ft, @	\$6.5)_ / foot			\$1,950	<u>\$1,950</u>
11,400 ft Rods -	of2-7/8	<u>"</u> OD,	N-80 6.5	#/ft, @	\$3.8	5_ / foot			\$43,890	\$43,890
the second s	of 1.2" F(<u>G</u> OD, OD,) / foot / foot			<u>\$19,800</u> \$8,800	<u>\$19,800</u> \$8,800
Pumping Unit /	Motor	API Size	640 Used		Motor HP	50			\$45,000	\$45,000
Subsurface Pum Other Control S	ubsurface								<u>\$5,000</u> <u>\$2,500</u>	\$5,000 \$2,500
Wellhead Equip Lease Equipmer	oment nt - Non Controllabl	e\$7,000	_ Tbg Head	\$10,000	_ Valve	s <u>\$4,500</u>	-	\$7,000	<u>\$14,500</u> \$1,500	\$21,500 \$1,500
Separators Flowlines	\$2,500 1,500		\$3,000 3" Steel	Dehyd OD, @	\$3.5	0 / foot			<u> </u>	\$5,500 \$5,250
Tanks	it/Meter Runs, etc.	-	2 - 500 Bbl (\$8,000 \$5,000	\$8,000 \$5,000
Compressors	inimeter Ruins, etc.									\$0
Pumps Electrical Syste	ms	3 Poles, sla	ck span, meter	юор					\$3,500	<u>\$0</u> \$3,500
Fittings Other Control L	ease Equipment		POC						<u></u>	<u>\$4,500</u> \$3,500
TOTAL TAN	GIBLES							\$71,450	\$280,790	\$352,240
							•			
TOTAL WELL C	OST COMPLETE	D					;	\$898,400	\$704,540	\$1,602,940
	A	D 1111 -								
REMARKS:	Drill 17-1/2"	surface hole to		3-3/8" casing				d set 8-5/8" casing.		
								fcamp & Strawn (D& fic BHL per detail.	Г costs).	
			cidize and equi							
Prepared By:	M. Stewart	<u>,</u>	Initials:	4	B		Title:	Engineer	Date:	04/19/02
Approval Company:			By	:			Title:		Date:	
~~···ba1.										

Share %:

100.0000%

Net \$ Amount:

\$1,602,940

Date: _

Chambers Jun

IPERMIAN RESOURCES, TRC.

April 12, 2002

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

RE: <u>CHAMBERS PROSPECT</u>

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 $3/16^{th}$ 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.

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Page Two April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,

liam Porter, CPL . [of A William I

Land Manager

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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:

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, 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 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 in the bane 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 or and the prevent terminate or 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 purchase for such term and under such payment to tender of such any term instruments (or certified copies thereof) as are necessary to enable.

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 lew 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 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 overhing 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.

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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 parts hereof shall fail or make default in the payment 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 releved 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.

STATE OF	§
	§
COUNTY OF	§

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

My Commission Expires

Notary Public, State of ______ Printed Name: ______ .

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• .	·····		jj	URILL & C		RESOURCES, IN N DETAILED CC		ІМАТЕ		
Lease Name:	CHAMBERS			<u> </u>		Well No.:	2		BAR, NORTH (WOLFC BAR, NE (STRAWN)	CAMP)
Well Location:	SE/4 SE/4 (APP	ROX 990' FS	L& 1100' FEI	L)	<u> </u>	Legal: SECT	<u>FION 7, T</u>	16S, R36E	·····	
County:	LEA			State:	<u>NM</u>	Prop Depth:		11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	CAL, KO HOI	RIZONTAL, C	OMPLETE	AND EQUI	2 11,400' STRAWN	PUMPIN	IG OIL WELL, MD 13,2		
			CATEGORY					DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
NTANGIBLES:										
Build roads, locator Contract Drlg - Mo			\$25,000	Damages	\$5,000		-	<u>\$30,000</u> \$30,000		<u>\$30,000</u> \$30,000
Contract Drig - Day	y work		days @	\$9,200			_	\$322,000		\$322,000
Contract Drig - Day Contract Drig - Foo	-	13.0	days @ _ feet @	\$9,200	/day /foot			S 0	\$119,600	<u>\$119,600</u> \$0
Bits								\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water days @	\$15,000 \$2,100	(day)			_	\$42,000	\$15,300	\$57,300
Completion Rig Cement Surface	\$5,500		nt Intermediate		\$20,000			\$25,500	\$12,600	<u>\$12,600</u> \$25,500
Cement Production	1	\$30,000				-	-		530,000	\$30,000
Casing Tools and C P & A	Crews						-	<u> </u>	\$7,000	<u>\$12,500</u> \$8,000
Open Hole Loggin	B						_	\$18,000		\$18,000
Mud Logging	\$16,000	. Coring					-	\$16,000	#1A ***	\$16,000
Cased Hole Loggir Perforating	¥.	open-hole co	mpletion						<u> </u>	<u></u>
DST/Testing		·	•	-			_	\$16,000		\$16,000
Stimulation - Acid Special Services		\$15,000 Directional S	Stimulatio	on - Fracture	;	<u> </u>		\$85,000	<u>\$15,000</u> \$65,000	\$15,000
Rentals - Surface			ad, Gas Sep., 1	•			-	\$7,500	\$2,500	\$150,000 \$10,000
Rentals - BHA Equ	•	-	Pkrs., X-overs	-			-	\$5,000	\$5,000	\$10,000
Rentals - Miscellaneous Rer	Drill Pipe	\$15,000 Frac Tanks	Tubing	<u></u>	BOP/CK	\$3,500	-	\$2,500	\$18,500	\$18,500
Mud & Chemicals		The Taliks					-	\$30,000	<u>\$2,500</u> \$10,000	<u>\$5,000</u> \$40,000
Rig Supervision	\$500.00	/day	37	Drill	13	_Complete	-	\$18,500	\$6,500	\$25,000
Trucking Insurance							-	\$4,000	\$4,000	\$8,000
Overhead	\$250.00	/day	37	Drill	19	Complete	-	<u> </u>	\$4,750	<u>\$9,500</u> \$14,000
Well Equipment -	Intangible Installa	tion				- •	-	\$2,500	\$4,500	\$7,000
Lease Equipment - Contingencies @	- Intangible Installa		of Total				-	\$75,200	<u> </u>	\$7,500 \$113,700
TOTAL INTANC			01 1044				-			
	HDLES						-	\$826,950	\$423,750	\$1,250,700
TANGIBLES: Well Equipment -	Non Controllable						_			
Surface Casing -			40	***			-			
450 ft of Intermediate Casin	the second se	OD,	48	#/ft, @	\$18.00	/ foot	-	\$8,100		\$8,100
	-	OD,	24 & 32	#/ft, @	\$11.50	/ foot		\$56,350		\$56,350
Producting Casing 11,400 ft of		OD,	17 & 20	#18 @	eo 00	1 Frank			61 03 (00	
<u>11,400</u> ft of Liner -			1/ 04 20	#/ft, @	39.00	/ foot			\$102,600	\$102,600
<u>300</u> ft of	f 4" FJ	OD,	12.9	#/ft, @	\$6.50	/ foot			<u>\$1,950</u>	\$1,950
Tubing - 11,400 ft of	f 2-7/8'	OD,	N-80 6.5	#/ft, @	\$3.85	i / foot			- \$43,890	\$43,890
Rods -		,								
<u> </u>	and the second se					/ foot			\$19,800	\$19,800
4,400 ft of Pumping Unit / M		OD, API Size	640 Used		Motor HP) / foot 50			<u>\$8,800</u> \$45,000	\$8,800 \$45,000
Subsurface Pumps					-				\$5,000	\$5,000
Other Control Sub Weilhead Equipm		\$7,000	Tbg Head	\$10,000	Valve	s \$4,500		\$7,000	<u>\$2,500</u> \$14,500	\$2,500 \$21,500
	- Non Controllable			0		<u> </u>			\$1,500	\$1,500
Separators	\$2,500			Dehyd		.			\$5,500	\$5,500
Flowlines Tanks	1,500	ft of	3" Steel 2 - 500 Bbl () / foot			\$5,250 \$8,000	\$5,250 \$8,000
Sales Equipment/l	Meter Runs, etc.		2-500 201						\$5,000	\$5,000
Compressors										
Pumps Electrical System	6	3 Poles, slad	ck span, meter	loop					\$3,500	\$0 \$3,500
Fittings			-	•					\$4,500	\$4,500
Other Control Lea	ase Equipment		POC					<u> </u>	\$3,500	\$3,500
TOTAL TANGI	BLES							\$71,450	\$280,790	\$352,240
TOTAL WELL CO	ST COMPLETED)						\$898,400	\$704,540	\$1,602,940
REMARKS:	See Attached I	Drilling Progn	osis For Detai	ls						
	Drill 17-1/2" s	urface hole to	450' and set 1	3-3/8" casin		intermediate hole to				
<u></u>								lfcamp & Strawn (D&T cific BHL per detail.		
	Run opitional									
Prepared By:	M. Stewart		Initials:	4	B		Title:	Engineer	Date:	04/19/02
Approval										

Company:	
Share %:	

100.0000%

Net \$ Amount:

By:

\$1,602

Title: _

\$1,602,940

Date:

Chamber 9m

IPERMIAN RESOURCES, TINC.

April 12, 2002

Satirios Rallis General Delivery Silivena Eqialias, Greece

RE: <u>CHAMBERS PROSPECT</u>

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 $3/16^{th}$ 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.

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Page Two April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely, バル William L. Porter, CPL

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 for systiles 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, 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 together with such written instruments (or

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 such such 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 compty 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 property 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 releved 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.

STATE OF	§
	§
COUNTY OF	§

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

My Commission Expires

Notary Public, S	State of
Printed Name:	

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS					Well No.:		SHOE BAR, NORTH (WOL SHOE BAR, NE (STRAWN	
Well Location:	SE/4 SE/4 (APP	<u>ROX 990' FS</u>	L& 1100' FE	L)		Legal: SECT	10N 7, T16S, R36E		
County:	LEA			State:	NM	Prop Depth:	11,400	feet AFE No.:	
Obj./ Form.	DRILL VERTIC	AL KO HOI	RIZONTAL (COMPLETE	AND EQUIP	11 400' STRAWN	PUMPING OIL WELL, MI	13 200'	
			CATEGORY			1.,	DRILL VERT	RUN CSG DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES:									
Build roads, locator Contract Drlg - Mo Contract Drig - Day	bilization work		\$25,000 days @	Damages \$9,200	/day		\$30,000 \$30,000 \$322,000		\$30,000 \$30,000 \$322,000
Contract Drig - Day Contract Drig - Foc		13.0	days @ feet @	\$9,200	/day /foot		\$0	<u> </u>	- <u>\$119,600</u> - <u>\$0</u>
Bits Fuel & Power	\$42,300	Water	\$15,000				<u></u>	<u> </u>	\$110,000 \$57,300
Completion Rig	6	days @	\$2,100	•	600 000		<u></u>	\$12,600	\$12,600
Cement Surface Cement Production	\$5,500	\$30,000	nt Intermediate	•	\$20,000		\$25,500	\$30,000	<u>\$25,500</u> \$30,000
Casing Tools and C P & A	Crews		-				\$5,500 \$8,000	\$7,000	<u>\$12,500</u> \$8,000
Open Hole Loggin							\$18,000		\$18,000
Mud Logging Cased Hole Loggin	\$16,000	Coring					\$16,000	\$10,000	<u>\$16,000</u> \$10,000
Perforating	0	open-hole co	mpletion						\$0
DST/Testing Stimulation - Acid		\$15,000	Stimulati	on - Fracture	;	50	\$16,000	\$15,000	<u>\$16,000</u> \$15,000
Special Services Rentals - Surface			Services, Moto ad, Gas Sep., 1	-			\$85,000	\$65,000	\$150,000
Rentals - Surface Rentals - BHA Equ		Whipstock, I	ad, Gas Sep., 1 Pkrs., X-overs	-			<u>\$7,500</u> \$5,000	<u>\$2,500</u> \$5,000	<u>\$10,000</u> \$10,000
Rentals - Miscellaneous Ren	Drill Pipe	\$15,000 Frac Tanks	Tubing	<u> </u>	BOP/CK	\$3,500	\$2,500	<u>\$18,500</u> \$2,500	\$18,500 \$5,000
Mud & Chemicals							\$30,000	\$10,000	\$40,000
Rig Supervision Trucking	\$500.00	/day	37	Drill	13	Complete	<u></u>	<u>\$6,500</u> \$4,000	<u>\$25,000</u> \$8,000
Insurance	£250.00	(1		D-11	10	0.1.	\$9,500		\$9,500
Overhead Well Equipment -	\$250.00 Intangible Installa			Drill	19	Complete	<u>\$9,250</u> \$2,500	<u></u>	<u>\$14,000</u> \$7,000
Lease Equipment -	Intangible Installa		of Total					\$7,500	\$7,500
Contingencies @		10.076	5 01 10(2)				\$75,200	\$38,500	\$113,700
TOTAL INTANC	IBLES						\$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 Casin 4,900 ft of	-	OD,	24 & 32	#/ft, @	\$11.50	/ foot	\$56,350		\$56,350
Producting Casing 11,400 ft of		OD,	17 & 20	#/ft, @	\$9.00	/ foot		\$102,600	\$102,600
Liner - 300 ft of		- 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 - 	1.2" FC	- OD,		•	\$3.00	- / foot		\$19,800	\$19,800
ft of	7/8" & 1.5"	OD,			\$2.00	/ foot		\$8,800	\$8,800
Pumping Unit / M Subsurface Pumps		API Size	640 Used		_ Motor HP	50		<u>\$45,000</u> \$5,000	<u>\$45,000</u> \$5,000
Other Control Sub		67.000	The Head	e10.000	Values	£4.600	c= 000	\$2,500	\$2,500
Wellhead Equipm Lease Equipment		\$7,000	_ Tbg Head	\$10,000) Valves	<u>\$4,500</u>	\$7,000	<u>\$14,500</u> \$1,500	\$21,500 \$1,500
Separators Flowlines	\$2,500 1,500		\$3,000 3" Steel	_ Dehyd i OD, @		/ foot		<u>\$5,500</u> \$5,250	<u>\$5,500</u> \$5,250
Tanks				Oil Tanks U				\$8,000	\$8,000
Sales Equipment/l Compressors	Meter Runs, etc.							\$5,000	<u>\$5,000</u> \$0
Pumps		2 Deles els		. 1					\$0
Electrical Systems Fittings	i	5 FOICS, SIZO	ck span, meter	1000				\$3,500 \$4,500	\$3,500 \$4,500
Other Control Lea	se Equipment		POC				·	\$3,500	\$3,500
TOTAL TANGE	BLES						\$71,450	\$280,790	\$352,240
TOTAL WELL COS	ST COMPLETED)					\$898,400	\$704,540	\$1,602,940
REMARKS:	See Attached I	Drilling Progn	osis For Deta	ils					
	Drill 17-1/2" s	urface hole to	450' and set	3-3/8" casin			4,900' and set 8-5/8" casing		
	PB & set 5-1/2	casing at 11	,200'. DO &	KO Horiztl.	Drill to TVD		uate Wolfcamp & Strawn (0' to specific BHL per detai		· · · · · · · · · · · · · · · · · · ·
	Run opitional	4" FJ liner, ac	idize and equ	ip w/ BPU if	required.				
Prepared By:	M. Stewart		Initials	-4-	$\not >$		Title: Engineer	Date:	04/19/02

Title:

\$1,602,940

Ву: ___

Net \$ Amount:

Date: ____

Approval Company:
Share %:

100.0000%

Charles You

IPERMIAN RESOURCES,"TNC.

April 12, 2002

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

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RE: <u>CHAMBERS PROSPECT</u>

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 $3/16^{th}$ 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.

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Page Two April 12, 2002

Please let me know your thoughts regarding this matter.

(*)³

Sincerely, William L. Porter, CPL Land Manager 0

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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 royatties 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 is 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 in the same manner as though a 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, 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 together with such written inst

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 long 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 one executors 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.

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: _____ •

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•		PERMIAN RESOURCES, INC. COMPLETION DETAILED COST ESTIMAT				
Lease Name:	CHAMBERS	Well No.:	2			
Well Location:	SE/4 SE/4 (APPROX 990' FSL & 1100' FEL)	Lega	I: <u>SECTION 7, T16S, R36</u>			
County:	LEA State: 1	NM Prop D	epth:			

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SHOE BAR, NORTH (WOLFCAMP) Field: <u>SHOE BAR, NE (STRAWN)</u>

Dip/ Perm DBUL VERTICAL KOHORIZONTAL COMPLETE AND EQUIP 1.40V STRAWN PLUCPING OIL VELL MG 13.200 DULL VERT DULG DIPER NTANCIBLES CATEGORY ATES COMPLETE TOTAL NTANCIBLES Data by sed 32.00 100.00 30.00 30.00 Come Dip : 50.00 100.00 100.00 100.00 30.00 30.00 Come Dip : 50.00 100.00 100.00 100.00 100.00 100.00 Dis advised 120.00 Warr 510.00 100.00 100.00 100.00 Dis advised 510.00 Center Dis: 50.00 510.00 100.00 100.00 100.00 Dis advised 510.00 Center Dis: 50.00 510.00 100.00 100.00 100.00 Compation Single Advised 510.00 510.00 510.00 100.00 100.00 100.00 100.00 Compation Single Advised 510.00 510.00 510.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00	Well Location:	SE/4 SE/4 (APP	ROX 990' FS	L& 1100' FEI	L)		Legal: SECTION 7, T16S, R36E				
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	REMARKS:										

Share %:	100.0000%		Net \$ Amount:	\$1,602,940		
Approval Company:		Ву:			Date:	
Prepared By:	M. Stewart	Initials:	\$	Title: Engineer	Date:	04/19/02
	Run opitional 4" FJ liner, acid	ize and equip w/ Bl	PU if required.			
	PB & set 5-1/2" casing at 11,2	00'. DO & KO Ho	riztl. Drill to TVD 11,360', MD	13,350' to specific BHL per detail.		· · · · · · · · · · · · · · · · · · ·
	Drill 7-7/8" production hole to	10,000', KO build	angle and drill to 11,400' log and	i evaluate Wolfcamp & Strawn (D&T costs)	
	Dhil 17-172 Surface note to 4.	30 and set 13-3/6	casing. Drift 11 intermediate is	ne to 4,700 and set 6-5/6 casing.		

Chambers que

IPERMIAN RESOURCES, TNC.

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 3/16th 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.

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Page Two April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely, 1 William L. Porter, CPL

Land Manager

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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 sais; (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 paig or tendered this lease is 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 mere 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 emonous 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 cor

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 ellocated 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 wells in 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 asid 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 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, royaltles 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 entited 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 of part or parts hereof shall fail or make default in the payment 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 relived 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.

STATE OF COLORADO

COUNTY OF

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:

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

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Prepared By:	M. Stewart	_ Initials:	Title: Engineer	Date:04/19/02
Approval Company:	<u></u>	Ву:	Title:	Date:
Share %:	100.0000%	Net S Amoun	t: \$1.602,940	

Chambers Ym

IPERMIAN RESOURCES, TRC.

April 12, 2002

Nancy Fox 16 Aurielle Drive Colchester, Vermont 05446

RE: <u>CHAMBERS PROSPECT</u>

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 3/16th 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.

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Page Two April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely,

۲ ۱. William L. Porter, CPL Land Manager

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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 royatties 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, the royalties shall be **Three-sixteenths** of the gas used, provided that on gas sold on or off the premises, the royalties shall be **Three-sixteenths** of the agas used. 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 entilled to receive the royalties which would be paid under this lease in the same manner as though a 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 together with such written instruments (or cartified copies thereof) as are necessary to enable Lassee to make proper payment. The amount real

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 portion of be total 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 heits, 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.

STATE OF VERMONT

COUNTY OF

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

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My Commission Expires

Notary Public, State of Vermont Printed Name: .

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ease Name:	CHAMBERS					Well No.:	2		E BAR, NORTH (WOLFCA E BAR, NE (STRAWN)	(MP)
cli Location:	<u>SE/4 SE/4 (APP</u>	ROX 990' FSI	& 1100' FEL)		Legal: SEC	TION 7, T16	S, R36E		
unty:	LEA			State:	NM ·	Prop Depth:	. <u></u>	11,400 feet	AFE No.:	• <u> </u>
j./ Form.	DRILL VERTIC	CAL, KO HOR	IZONTAL, C	OMPLETE	AND EQUIE	211,400' STRAW	N PUMPING	OIL WELL, MD 13,	RUN CSG	
		(CATEGORY				D	RILL VERT & TEST	DRLG HORIZ COMPLETE	TOTAL
ANGIBLES:										
Build roads, locator Contract Drlg - Mo	••••••		\$25,000	Damages	\$5,000			<u>\$30,000</u> \$30,000		\$30,00 \$30,00
Contract Drlg - Day	y work		days @ _		/day			\$322,000		\$322,0
Contract Drig - Day Contract Drig - Foc			days @ feet @	\$9,200	/day /foot			¢0	\$119,600	\$119,6
Bits	Jungo				/1001			<u>\$0</u> \$65,000	\$45,000	\$110,0
Fuel & Power Completion Rig	\$42,300	Water days @	\$15,000 \$2,100 /					\$42,000	\$15,300 -	\$57,3
Cement Surface	\$5,500		t Intermediate	day	\$20,000			\$25,500	\$12,600	\$12,6
Cement Production	1	\$30,000				-			\$30,000	\$30,0
Casing Tools and C P & A	Crews							<u>\$5,500</u> \$8,000	\$7,000	<u>\$12,5</u> \$8,0
Open Hole Logging								\$18,000		\$18,0
Mud Logging Cased Hole Loggin	\$16,000	Coring						\$16,000	\$10.000	\$16,0
Perforating	·0	open-hole com	mpletion						<u>\$10,000</u> \$0	\$10,0
DST/Testing		* 16 000	0.1 1.11			••		\$16,000		\$16,0
Stimulation - Acid Special Services		\$15,000 Directional S	Stimulation ervices, Motor	n - Fracture s. MWD		<u> </u>		\$85,000	<u>\$15,000</u> \$65,000	\$15,0 \$150,0
Rentals - Surface		Rotating Hea	d, Gas Sep., H	ousing				\$7,500	\$2,500	\$10,0
Rentals - BHA Equ			krs., X-overs,	Valves	DODION			\$5,000	\$5,000	\$10,0
Rentals - Miscellaneous Ren	Drill Pipe	\$15,000 Frac Tanks	Tubing _		BOP/CK	\$3,500		\$2,500	<u>\$18,500</u> \$2,500	<u>\$18,5</u> \$5,0
Mud & Chemicals								\$30,000	\$10,000	\$40,0
Rig Supervision	\$500.00	/day	<u> </u>	Drill	13	Complete		\$18,500	\$6,500	\$25,0
Trucking Insurance								<u>\$4,000</u> \$9,500	\$4,000	<u>\$8,0</u> \$9,5
Overhead	\$250.00	/day	37 [Drill	19	Complete		\$9,250	\$4,750	
Well Equipment - I	-					_ ·	_	\$2,500	\$4,500	\$7,0
Lease Equipment - Contingencies @	- Intangible Install:		of Total					\$75,200	<u>\$7,500</u> \$38,500	
Contingencies @		10.070	UT TOTAL					375,200	338,300	
TOTAL INTANG	JIBLES						يبنتي	\$826,950	\$423,750	\$1,250,5
Well Equipment - Surface Casing -	Non Controllable								•	
450 ft of		<u>5</u> OD,	48	#/ft, @	\$18.00)_ / foot		\$8,100		\$8,1
Intermediate Casin 	-	OD,	24 & 32	#/ft, @	\$11.50	/ foot	_	\$56,350		\$56,
Producting Casing 11,400 ft of		' OD,	17 & 20	#/ft, @	\$9.00) / foot			\$102,600	\$102,0
Liner - 300 ft of	f 4" F.	JOD,	12.9	#/ft, @	\$6.50) / foot			\$1,950	\$1,
Tubing -		-		-		-				
11,400 ft of Rods -		-	<u>N-80 6.5</u>	#/ft, @		/ foot			\$43,890	\$43,8
<u>6,600</u> ft of 4,400 ft of) OD, OD,	-) / foot) / foot			\$19,800	\$19,
Pumping Unit / M		API Size	640 Used		Motor HP	50			<u>\$8,800</u> \$45,000	<u> </u>
Subsurface Pumps					-				\$5,000	\$5,
Other Control Sub Wellhead Equipme		\$7,000	Tbg Head	\$10,000	Valve	s \$4,500		\$7,000	<u>\$2,500</u> \$14,500	<u>\$2,</u> \$21,
	- Non Controllable		. Tog noad	\$10,000	- 14/10	334,,000		37,000	\$1,500	\$1,
Separators	\$2,500		\$3,000	Dehyd					\$5,500	\$5,
Flowlines Tanks	1,500	ft of	3" Steel 2 - 500 Bbl O	OD, @ iil Tanks Us		<u>)</u> / foot			<u>\$5,250</u> \$8,000	<u>\$5,</u> \$8,
Sales Equipment/I	Meter Runs, etc.		2 - 500 201 0						\$5,000	\$5.
Compressors										
Pumps Electrical Systems	5	3 Poles elec	k span, meter l	loop					\$3,500	\$3
Fittings	-	vies, aide	•	P					\$4,500	\$4,
Other Control Lea	ase Equipment		POC						\$3,500	\$3,
TOTAL TANGE	BLES						-	\$71,450	\$280,790	\$352
TAL WELL COS	ST COMPLETEI)					-	\$898,400	\$704,540	\$1,602
MARKS:	See Attached I									
	Drill 17-1/2" s	urface hole to	450' and set 13	3-3/8" casin		intermediate hole t				
						11,400' log and ev D 11,360', MD 13,		amp & Strawn (D&T	costs).	. <u> </u>
	Run opitional	4" FJ liner, ac	dize and equip	w/ BPU if	required.	, <u>11,000, 141</u> 13,				
repared By:	M. Stewart		Initials:	A	B		Title: E	ngineer	Date:	04/1
pproval				•					_	
omnany:			Bv:				Title:		Date:	

Company:	
Share %;	

100.0000%

By:

Net \$ Amount:

Title:

\$1,602,940

Date: _

Chambes C/m

IPERMIAN RESOURCES, THE.

April 12, 2002

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

RE: <u>CHAMBERS PROSPECT</u>

- 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:

and the second

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 $3/16^{th}$ 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.

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Page Two April 12, 2002

Please let me know your thoughts regarding this matter.

Sincerely, / 0 William L. Porter, CPL

Land Manager

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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, C0 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 thereform, 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 is 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 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 eroneous 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, but which is eroneous in struct such error within 30 days after Lessee has received written notice thereof by cartified mail from the party or parties or an

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 wells in 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 commanced 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 fL) 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 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 pastignee 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 property 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.

STATE OF COLORADO

COUNTY OF

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

\$ \$ \$

My Commission Expires

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Notary Public, State of Colorado Printed Name: _____

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PERMIAN RESOURCES, INC.

Lease Name:	CHAMBERS		····-	Well No.:		DE BAR, NORTH (WOLFC. DE BAR, NE (STRAWN)	AMP)
Well Location:	SE/4 SE/4 (APPROX 9	90' FSL & 1100' FEL)	Legal: <u>SEC</u>	TION 7, T165, R36E		
County:	LEA		State: <u>NM</u>	Prop Depth:	11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTICAL, K	O HORIZONTAL, C	OMPLETE AND	EQUIP 11,400' STRAWN	V PUMPING OIL WELL, MD 1	3,200'	
		CATEGORY			DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES: Build roads, locato	n, pits & survey	\$25,000	Damages S	\$5,000	\$30,000		\$30,000
Contract Drlg - Mo		260 days @	to 200 12		\$30,000	•	\$30,000
Contract Drlg - Da Contract Drlg - Da		35.0 days @ _ 13.0 days @	\$9,200 /day \$9,200 /day		\$322,000	\$119,600	<u>\$322,000</u> \$119,600
Contract Drig - For		feet @	/foot		<u>\$0</u>		50
Bits Fuel & Power	\$42,300	Water \$15,000			<u>\$65,000</u> \$42,000	<u>\$45,000</u> \$15,300	\$110,000
Completion Rig	6 days		/day			\$12,600	\$57,300 \$12,600
Cement Surface Cement Production	and the state of t	Cement Intermediate 0,000	\$	20,000	\$25,500	e20.000	\$25,500
Casing Tools and (3,000			\$5,500	<u>\$30,000</u> \$7,000	<u>\$30,000</u> \$12,500
P&A					\$8,000		\$8,000
Open Hole Loggin Mud Logging		Coring			<u>\$18,000</u> \$16,000		<u>\$18,000</u> \$16,000
Cased Hole Loggin	g					\$10,000	\$10,000
Perforating DST/Testing	open-l	nole completion			\$16,000		<u>\$0</u> \$16,000
Stimulation - Acid	<u>\$1</u>	5,000 Stimulatio	n - Fracture	\$0		\$15,000	\$15,000
Special Services Rentals - Surface		ional Services, Moto ng Head, Gas Sep., H			\$85,000	\$65,000	\$150,000
Rentals - BHA Eq		itock, Pkrs., X-overs,	-		<u> </u>	<u>\$2,500</u> \$5,000	<u>\$10,000</u> \$10,000
Rentals -			B	OP/CK \$3,500		\$18,500	\$18,500
Miscellaneous Rer Mud & Chemicals	tals Frac T	anks			<u>\$2,500</u> \$30,000	<u>\$2,500</u> \$10,000	<u>\$5,000</u> \$40,000
Rig Supervision	\$500.00 /day	37	Drill	13 Complete	\$18,500	\$6,500	\$25,000
Trucking Insurance					<u>\$4,000</u> \$9,500	\$4,000	<u>\$8,000</u> \$9,500
Overhead	\$250.00 /day	37	Drill	19 Complete	\$9,250	\$4,750	\$14,000
	Intangible Installation				\$2,500	\$4,500	\$7,000
Contingencies @	Intangible Installation	10.0% of Total			\$75,200	<u>\$7,500</u> \$38,500	<u>\$7,500</u> \$113,700
• •					<u> </u>		
TOTAL INTANC	ADLES				\$826,950	\$423,750	\$1,250,700
TANGIBLES:							
Well Equipment - Surface Casing -	Non Controllable						
450 ft of		D, <u>48</u>	#/ft, @	\$18.00 / foot	\$8,100	•	\$8,100
Intermediate Casir 4,900 ft of		D, 24 & 32	#/ft, @	\$11.50 / foot	\$56,350		\$56,350
Producting Casing	•						
<u>11,400</u> ft of Liner -	<u> </u>	D, <u>17 & 20</u>	#/ft, @	\$9.00 / foot		\$102,600	\$102,600
300_ ft of	4" FJC	D, <u>12.9</u>	#/ft, @	\$6,50 / foot		\$1,950	\$1,950
Tubing - 11,400 ft of	· 2-7/8" C	D, <u>N-80 6.5</u>	#/ft, @	\$3.85 / foot		£42.900	E 43 000
Rods -		D, <u>11-80 0.5</u>	#/IL, @g	33.85 / 1001		<u>\$43,890</u>	\$43,890
<u>6,600</u> ft o		D, D,		\$3.00 / foot		\$19,800	\$19,800
<u>4,400</u> ft or Pumping Unit / M			Mot	<u>\$2.00</u> / foot or HP 50		<u>\$8,800</u> \$45,000	<u>\$8,800</u> \$45,000
Subsurface Pump						\$5,000	\$5,000
Other Control Sub Weilhead Equipm		7,000 Tbg Head	\$10,000	Valves\$4,500	\$7,000	<u>\$2,500</u> \$14,500	<u>\$2,500</u> \$21,500
Lease Equipment	Non Controllable					\$1,500	\$1,500
Separators Flowlines		reaters \$3,000 t of 3" Steel	Dehyd OD, @	\$3.50 / foot		<u>\$5,500</u> \$5,250	<u>\$5,500</u> \$5,250
Tanks			il Tanks Used	<u>- 50.50</u> / 1001		\$8,000	\$8,000
Sales Equipment/ Compressors	Meter Runs, etc.					\$5,000	<u> </u>
Pumps							
Electrical System:	3 Pol	es, slack span, meter	Гоор			\$3,500 -	\$3,500
Fittings Other Control Le:	se Equipment	POC				<u>\$4,500</u> \$3,500	\$4,500
TOTAL TANGI	BLES				\$71,450	\$280,790	\$352,240
TOTAL WELL CO	ат сомрі гтер				\$898,400	\$704,540	\$1,602,940
REMARKS:	See Attached Drilling	Promotic For Datail	•				
NEWANNO:	Drill 17-1/2" surface 1	nole to 450' and set 1	3-3/8" casing. Dri		0 4,900' and set 8-5/8" casing.		
	Drill 7-7/8" productio	n hole to 10,000', KC	O Horizt Drill	to TVD 11 360' MD 12 3	aluate Wolfcamp & Strawn (D& 50' to specific BHL per detail.	T costs).	
	Run opitional 4" FJ li	ner, acidize and equi	w/ BPU if requir	red.	or to speenic brit per detail.		
Prepared By:	M. Stewart	Initials:	NA		Title: Engineer	Date:	04/19/02
			-	<u>ے</u>	<u>- 2080000</u>	Matt	5 0 1 2 J B
Approval Company:		By			Title:	Date:	

100.0000%

Net \$ Amount:

\$1,602,940

Chambra 94

IPERMIAN RESOURCES, TINC.

April 12, 2002

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

RE: <u>CHAMBERS PROSPECT</u>

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 3/16th 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.

P.O. BOX 590 • MIDLAND, TEXAS 79702-0590 608 NORTH MAIN • MIDLAND, TEXAS 79701 PHONE (915) 685-0113 • FAX (915) 685-3621 Page Two April 12, 2002

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Please let me know your thoughts regarding this matter.

Sincerely, William L. Porter, OPL 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 thereform, 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 is 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 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 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, 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 e

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 whole or in part shall, to the extent 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 seate 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 oll 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.

STATE OF ILLINOIS

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: ٠

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS					Well No.:		E BAR, NORTH (WOLFC) E BAR, NE (STRAWN)	амр)
Well Location:	SE/4 SE/4 (APP	ROX 990' FS	L & 1100' FEL	,)	<u> </u>	Legal: SEC	LION 7, T16S, R36E		
County:	LEA			State:	NM	Prop Depth:	<u> 11,400</u> feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	CAL, KO HOR	RIZONTAL, C	OMPLETE	AND EQUIP	11,400' STRAWN	PUMPING OIL WELL, MD 13	.200'	
,	<u> </u>		;;;;		`			RUN CSG	
		Ċ	CATEGORY				DRILL VERT & TEST	DRLG HORIZ COMPLETE	TOTAL
					وغد عالاتي ببعند قائل	and and a second se	ta and the second s		
INTANGIBLES: Build roads, locate	on, pits & survey		\$25,000	Damages	\$5,000		\$30,000		\$30,000
Contract Drlg - Mo	obilization			-			\$30,000		\$30,000
Contract Drig - Da			days @ _	\$9,200			\$322,000	•	\$322,000
Contract Drig - Da Contract Drig - Fo	•	13.0	days @ _ feet @	\$9,200	/day /foot		\$ 0	\$119,600	<u>\$119,600</u> \$0
Bits	-						\$65,000	\$45,000	\$110,000
Fuel & Power Completion Rig	\$42,300	. Water days @	\$15,000 \$2,100	/dav			\$42,000	\$15,300	\$57,300 \$12,600
Cement Surface	\$5,500		it Intermediate	day	\$20,000		\$25,500	\$12,600	\$25,500
Cement Production		\$30,000						\$30,000	\$30,000
Casing Tools and P & A	Crews						<u> </u>	\$7,000	<u>\$12,500</u> \$8,000
Open Hole Loggin		. .					\$18,000		\$18,000
Mud Logging Cased Hole Loggi	\$16,000	Coring	<u> </u>				\$16,000	\$10,000	<u>\$16,000</u> \$10,000
Perforating		open-hole co	mpletion					\$0	<u>\$10,000</u> \$0
DST/Testing		£15.000	Column la dia			*	\$16,000		\$16,000
Stimulation - Acid Special Services	1	\$15,000 Directional S	Stimulatic Services, Motor	n - Fracture rs. MWD		\$0	\$85,000	<u></u>	<u>\$15,000</u> \$150,000
Rentals - Surface		Rotating Hea	ad, Gas Sep., H	ousing			\$7,500	\$2,500	\$10,000
Rentals - BHA Eq Rentals -	uipment Drill Pipe		Pkrs., X-overs, Tubing		BOP/CK	£2 600	\$5,000	\$5,000	\$10,000
Miscellaneous Re		Frac Tanks	. ruomg_		BUPCK	\$3,500	\$2,500	<u>\$18,500</u> \$2,500	<u>\$18,500</u> \$5,000
Mud & Chemicals							\$30,000	\$10,000	\$40,000
Rig Supervision Trucking	\$500.00	/day	37	Drill	13	Complete	<u>\$18,500</u> \$4,000	<u>\$6,500</u> \$4,000	<u>\$25,000</u> \$8,000
Insurance							\$9,500		\$9,500
Overhead	\$250.00 Intangible Installa		37	Drill	19	Complete	\$9,250	<u>\$4,750</u>	\$14,000
	- Intangible Installa						\$2,500	<u>\$4,500</u> \$7,500	<u>\$7,000</u> \$7,500
Contingencies @	-	10.0%	of Total				\$75,200	\$38,500	\$113,700
TOTAL INTAN	GIBLES						\$826,950	\$423,750	\$1,250,700
TANGIBLES:									
	Non Controllable								
Surface Casing -									······································
450 ft o Intermediate Casi		OD,	48	#/ft, @	\$18.00	_ / foot	\$8,100		\$8,100
ft o	-	OD,	24 & 32	#/ft, @	\$11.50	/ foot	\$56,350		\$56,350
Producting Casing 11,400 ft o	-	· OD,	17 & 20	#/ft, @	50 00	/ foot		e103 (00	6103 (00
Liner -			17 00 20	mit, @		-		\$102,600	\$102,600
<u>300</u> fìo	f4" F.	OD,	12.9	#/ft, @	\$6.50	/ foot		\$1,950	\$1,950
Tubing - 11,400 ft o	f 2-7/8	OD,	N-80 6.5	#/ft, @	\$3.85	/ foot		\$43,890	\$43,890
Rods -	<u></u>	-				-			
<u> </u>		<u>)</u> OD, OD,				_ / foot / foot		<u>\$19,800</u> \$8,800	\$19,800 \$8,800
Pumping Unit / N		API Size	640 Used		Motor HP	50			\$45,000
Subsurface Pump								\$5,000	\$5,000
Other Control Sul Wellhead Equipm		\$7,000	Tbg Head	\$10,000	Valves	\$4,500	\$7,000	<u>\$2,500</u> \$14,500	<u>\$2,500</u> \$21,500
Lease Equipment	- Non Controllable				-	<u> </u>	·····	\$1,500	\$1,500
Separators Flowlines	<u>\$2,500</u> 1,500		\$3,000 3" Steel	Dehyd OD, @	\$3.50	/ foot		<u>\$5,500</u> \$5,250	<u>\$5,500</u> \$5,250
Tanks			2 - 500 Bbl C			_ / 1001		\$8,000	\$8,000
Sales Equipment/	Meter Runs, etc.							\$5,000	\$5,000
Compressors Pumps								·	<u></u>
Electrical System	15	3 Poles, slad	ck span, meter	loop				\$3,500	\$3,500
Fittings Other Control Le	ase Equipment		POC					<u>\$4,500</u> \$3,500	<u>\$4,500</u> \$3,500
TOTAL TANG	IBLES						\$71,450	\$280,790	\$352,240
TOTAL WELL CO	ST COMPLETED)					\$898,400	\$704,540	\$1,602,940
	_								
REMARKS:			osis For Detail 450' and set 1		z. Drill 11" in	termediate hole to	4,900' and set 8-5/8" casing.		·
	Drill 7-7/8" pr	oduction hole	to 10,000', KC) build angle	and drill to 1	1,400' log and eva	luate Wolfcamp & Strawn (D&)	Costs).	
			,200'. DO & I			11,360', MD 13,3	50' to specific BHL per detail.		·
					A				······································
Prepared By:	M. Stewart		_ Initials:	-4-			Title: Engineer	Date:	04/19/02

Approval Company:
Share %:

100.0000%

Ву:__

Net \$ Amount:

\$1,602,940

Title: ____

Date: ____

Chambers 9m

PERMIAN RESOURCES, TINC.

April 12, 2002

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

RE: <u>CHAMBERS PROSPECT</u>

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 3/16th 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.

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

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:

 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 gaseogs 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 sald 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 is 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 in the same manner as though a 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, 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 c

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 os 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 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 fL) 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 heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such such 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 compty 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 hereueder 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 leases 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.

STATE OF VERMONT

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: _____ .

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

.ease Name:	CHAMBERS					Well No.:		SHOE BAR, NORTH (WOLFCAMP) Field: SHOE BAR, NE (STRAWN)		
Vell Location:	SE/4 SE/4 (APP						ON 7, T16S, R36E			
ounty:	LEA	<u>KOX 770 10</u>	<u></u>	State:						
						Prop Depth:	11,400			
oj./ Form.	DRILL VERTIC	AL, KO HO	RIZONTAL, C	COMPLETE	AND EQUIP	11,400' STRAWN 1	PUMPING OIL WELL, M	D 13,200' RUN CSG		
			0.000				DRILL VERT	DRLG HORIZ		
			CATEGORY				<u>& TEST</u>	COMPLETE	TOTAL	
TANGIBLES:								•		
Build roads, locate Contract Drlg - M			\$25,000	Damages	\$5,000		\$30,000		\$30,0	
Contract Drig - Dr		35.0	days @	\$9,200	/day		<u>\$30,000</u> \$322,000		\$30,0 \$322,0	
Contract Drlg - D	ay work		days @	\$9,200				\$119,600	\$119,6	
Contract Drig - Fo	ootage		feet @		/foot		\$0	······································		
Bits Fuel & Power	\$42,300	Water	< 15.000				\$65,000	\$45,000	\$110,0	
Completion Rig		days @	\$15,000 \$2,100	/dav			\$42,000	\$15,300 \$12,600	<u>\$57,3</u> \$12,6	
Cement Surface	\$5,500		nt Intermediate		\$20,000	-	\$25,500		\$25,5	
Cement Productio		\$30,000						\$30,000	\$30,0	
Casing Tools and P & A	Crews						\$5,500	\$7,000	\$12,5	
Open Hole Loggi	ng					:	<u>\$8,000</u> \$18,000		\$8,0 \$18,0	
Mud Logging	\$16,000	Coring	J <u></u>				\$16,000	•	\$16,0	
Cased Hole Logg								\$10,000	\$10,0	
Perforating		open-hole co	ompletion					<u>\$0</u>		
DST/Testing Stimulation - Aci	d	\$15,000	Stimulatiz	on - Fracture		\$ 0	\$16,000	\$15,000	<u></u>	
Special Services			Services, Motor				\$85,000	\$65,000 -	<u></u>	
Rentals - Surface			ad, Gas Sep., H				\$7,500		\$10,	
Rentals - BHA Ec			Pkrs., X-overs,				\$5,000	\$5,000	\$10,	
Rentals -	Drill Pipe	\$15,000 Frac Tanks	- Tubing -	·····	BOP/CK	\$3,500		\$18,500	\$18,	
Miscellaneous Re Mud & Chemical		rrac lanks					<u>\$2,500</u> \$30,000	<u></u>	<u>\$5,</u> \$40,	
Rig Supervision	\$500.00	/day	37	Drill	13	Complete	\$18,500	· · · · · · · · · · · · · · · · · · ·	\$25,	
Trucking						_ 1	\$4,000	\$4,000	\$8,	
Insurance				-		. .	\$9,500	-	\$9,	
Overhead Well Equipment.	\$250.00 Intangible Installa		37	Drill		Complete	<u> </u>			
	- Intangible Installa						34,500	\$7,500	<u>\$7,</u>	
Contingencies @	-		6 of Total				\$75,200		\$113,	
TOTAL INTAN	GIRI ES						\$826,950	\$423,750	\$1,250,	
ANGIBLES:	- Non Controllable									
Surface Casing -	- Non Controlladic				•		·			
450_ft c	of <u>13-3/8 LS</u>	OD,	48	#/ft, @	\$18.00	_ / foot	\$8,100	_	\$8,	
Intermediate Cas	-							-		
4,900 ft c Producting Casin		<u>'</u> OD,	24 & 32	#/ft, @	<u>\$11.50</u>	_ / foot	\$56,350	-	\$56,	
11,400 ft c	-	' OD,	17 & 20	#/ft, @	\$9.00	/ foot		\$102,600	\$102,	
Liner -		- 02,								
<u> </u>	of4" F.	DD,	12.9	#/ft, @	\$6.50	/ foot		\$1,950	<u>\$1</u>	
Tubing -	- F	00	N 80 6 5	#14 @	¢3.95	1 fant		e (2 800	543	
<u>11,400</u> fi c Rods -	of2-7/8'	<u>'</u> OD,	N-80 6.5	#/ft, @	33,85	_ / foot		\$43,890	<u>\$43</u>	
6,600 ft c	ofI.2" FC	OD,			\$3.00	/ foot		\$19,800	\$19	
	of <u>7/8" & 1.5"</u>	OD,				/ foot		\$8,800	\$8	
		API Size	640 Used		_Motor HP	50		\$45,000	\$45	
Pumping Unit / N								<u>\$5,000</u> \$2,500	<u>\$5</u> \$2	
Pumping Unit / M Subsurface Pump		\$7,000	_ Tbg Head	\$10,000	Valves	\$4,500	\$7,000			
Pumping Unit / M Subsurface Pump Other Control Su					-			\$1,500	S 1	
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipr				Dehyd				\$5,500	55	
Pumping Unit / N Subsurface Pump Other Control Su Wellhead Equipr Lease Equipmen Separators	ment t - Non Controllable \$2,500	Treaters			63.60			\$5,250	<u></u>	
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipr Lease Equipmen Separators Flowlines	ment t - Non Controllable	Treaters	3" Steel	OD, @	\$3.50	/ 1001		\$8,000		
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipr Lease Equipmen Separators Flowlines Tanks	ment t - Non Controllable \$2,500	Treaters		OD, @		/ 1001		\$8,000\$5,000	\$5	
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipr Lease Equipment Separators Flowlines Tanks Sales Equipment Compressors	ment t - Non Controllable \$2,500 1,500	Treaters	3" Steel	OD, @		<u> </u>			\$5	
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipr Lease Equipmen Separators Flowlines Tanks Sales Equipment Compressors Pumps	ment t - Non Controllable \$2,500 1,500 Weter Runs, etc.	Treaters ft of	<u>3" Steel</u> 2 - 500 Bbl C	OD, @ Dil Tanks Us		<u> </u>		<u>\$5,000</u>		
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipr Lease Equipmen Separators Flowlines Tanks Sales Equipment Compressors Pumps Electrical System	ment t - Non Controllable \$2,500 1,500 Weter Runs, etc.	Treaters ft of	3" Steel	OD, @ Dil Tanks Us		<u> </u>		\$3,500	\$3	
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipr Lease Equipmen Separators Flowlines Tanks Sales Equipment Compressors Pumps	ment t - Non Controllable \$2,500 1,500 t/Meter Runs, etc.	Treaters ft of	<u>3" Steel</u> 2 - 500 Bbl C	OD, @ Dil Tanks Us		- / 100L		\$5,000 \$3,500 \$4,500	\$3 \$4	
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipmen Separators Flowlines Tanks Sales Equipment Compressors Pumps Electrical System Fittings Other Control Le	ment t - Non Controllable \$2,500 1,500 /Meter Runs, etc. ms ease Equipment	Treaters ft of	3" Steel 2 - 500 Bbl C	OD, @ Dil Tanks Us		- / 100L		\$5,000 \$3,500 \$4,500 \$3,500		
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipr Lease Equipmen Separators Flowlines Tanks Sales Equipment Compressors Pumps Electrical System Fittings	ment t - Non Controllable \$2,500 1,500 /Meter Runs, etc. ms ease Equipment	Treaters ft of	3" Steel 2 - 500 Bbl C	OD, @ Dil Tanks Us		<u>-</u> / 1001	\$ 71,45(\$5,000 \$3,500 \$4,500 \$3,500	<u> </u>	
Pumping Unit / M Subsurface Pump Other Control Su Wellhead Equipmen Separators Flowlines Tanks Sales Equipment Compressors Pumps Electrical System Fittings Other Control Lo TOTAL TANG	ment t - Non Controllable \$2,500 1,500 /Meter Runs, etc. ms ease Equipment	_ Treaters _ ft of 3 Poles, sla	3" Steel 2 - 500 Bbl C	OD, @ Dil Tanks Us		- / 100L	\$71,450	<u>\$3,500</u> <u>\$3,500</u> <u>\$4,500</u> <u>\$3,500</u> <u>\$280,790</u>		

REMARKS:	See Attached Drilling Prognosis For Details								
	Drill 17-1/2" surface hole to 450' and set 13	3/8" casing. Drill 11" intermediate he	ble 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	d 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 opitional 4" FJ liner, acidize and equip w/ BPU if required.								
Prepared By:	M. Stewart Initials:	NB	Title: Engineer	Date:	04/19/02				
Approval Company:	By:		Title:	Date:					
Share %:	100.0000%	Net \$ Amount:	\$1,602,940						

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