IPERMIAN RESOURCES, THC.

gm

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 3/16th 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 \$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.

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

Please let me know your thoughts regarding this matter.

Sincerely,

William L. Porter, CPL Land Manager

OIL & GAS LEASE

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

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

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

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

- 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
- 3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, Three-sixteenths of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of Three-sixteenths of the gas used, provided that on gas sold on or off the premises, the royalties shall be Three-sixteenths of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease into 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 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 to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, s
- 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 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 setate 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 royaltles, 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 berefy is reduced by said release or releases.

relieved from all obligations, expressed or implied of this agreement as to acteage so sufferidered, and thereamen to proportion that the acreage covered hereby is reduced by said release or releases.	ne shut-in loyally payable	indicalistic shall be recessed in	
Executed the day and year first above written.			

Gus Delonas

STATE OF TEXAS	§ §		
COUNTY OF	§		
This instrument was ackn Gus Delonas.	owledged before me on the	day of	, 2002 by
My Commission Expires			
	Notary P	ublic, State of	Texas

PERMIAN RESOURCES, INC.

Lease Name:	CHAMBERS		···-·	·		Well No.:	2		BAR, NORTH (WOLFC) BAR, NE (STRAWN)	AMP)
Well Location:	SE/4 SE/4 (APP	ROX 990' FSI	& 1100' FEL)	1		Legal: <u>SEC</u>	TION 7, T	16S, R36E		
County:	LEA			State:	NM	Prop Depth:		11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	CAL, KO HOR	NIZONTAL, CO	MPLETE	AND EQUIP	11,400' STRAWN	N PUMPIN	IG OIL WELL, MD 13,2	100,	
			CATEGORY				n _e	DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
	standard print pri	Water days @ Cemen \$30,000 Coring open-hole cor \$15,000 Directional S Rotating Hea Whipstock, F \$15,000 Frac Tanks /day /day attion attion		n - Fracture s, MWD busing Valves	/day /foot \$20,000 BOP/CK	\$3,500 Complete Complete		\$30,000 \$30,000 \$322,000 \$0 \$65,000 \$42,000 \$25,500 \$8,000 \$18,000 \$16,000 \$16,000 \$7,500 \$5,000 \$2,500 \$30,000 \$18,500 \$4,000 \$9,500 \$9,250 \$2,500 \$32,500	\$119,600 \$45,000 \$15,300 \$12,600 \$30,000 \$7,000 \$50 \$15,000 \$65,000 \$2,500 \$18,500 \$2,500 \$10,000 \$4,000 \$4,000 \$4,750 \$4,500 \$38,500 \$38,500	\$30,000 \$30,000 \$3322,000 \$119,600 \$0 \$119,600 \$50 \$110,000 \$57,300 \$12,500 \$325,500 \$30,000 \$12,500 \$318,000 \$16,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$113,700 \$13,000 \$15,000 \$113,700
Surface Casing - 450 ft of Intermediate Cas 4,900 ft of Intermediate Casing - 11,400 ft of Intermediate Casing - 300 ft of Intermediate Casing - 11,400 ft o	of 8-5/8 of 5-1/2 of 4" F of 2-7/8 of 1.2" FC of 7/8" & 1.5" Motor ps	OD,OD,OD,	48 24 & 32 17 & 20 12.9 N-80 6.5	#/ft, @ #/ft, @ #/ft, @ #/ft, @ #/ft, @	\$6.50 \$3.85 \$3.00	_	-	\$8,100 \$56,350	\$102,600 \$1,950 \$43,890 \$19,800 \$8,800 \$45,000 \$5,000	\$8,100 \$56,350 \$102,600 \$1,950 \$43,890 \$19,800 \$8,800 \$45,000 \$5,000
Separators Flowlines Tanks	ment it - Non Controllable \$2,500 1,500 WMeter Runs, etc. ns ease Equipment	Treaters trof	Tbg Head		\$3.50	\$4,500 / foot		\$7,000	\$2,500 \$14,500 \$1,500 \$5,500 \$5,500 \$8,000 \$5,000 \$3,500 \$4,500 \$3,500	\$2,500 \$21,500 \$1,500 \$5,500 \$5,500 \$8,000 \$5,000 \$0 \$3,500 \$4,500 \$3,500
TOTAL WELL CO	ost completei	D						\$898,400	\$704,540	\$1,602,940
REMARKS:	Drill 17-1/2" s Drill 7-7/8" pt PB & set 5-1/	surface hole to roduction hole 2" casing at 11	to 10,000', KO	-3/8" casing build angle O Horizti.	and drill to 1 Drill to TVD	1,400' log and eva	aluate Wo	d set 8-5/8" casing. Ifcamp & Strawn (D&T cific BHL per detail.	costs).	
Prepared By:	M. Stewart		Initials: _	A	5		Title:	Engineer	Date:	04/19/02
Approval Company:			_ Ву:				Title:		Date:	
Share %:	100.0000	%	_		Net \$ Amo	ount:		\$1,602,940		

IPERMIAN RESOURCES, THE.

April 12, 2002

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

RE: CHAMBERS PROSPECT

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

Dear Andrei:

County records indicate that you own a 0.125% Mineral Interest in the referenced tract, which equates to 0.100 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a $3/16^{th}$ 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.

Please let me know your thoughts regarding this matter.

Sincerely,

William L. Porter, CPL Land Manager

OIL & GAS LEASE

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

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 in tot terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such
- 4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.
- 5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.
- 6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.
- 7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.
- 8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall 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 duty shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
- 10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailting a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.		

Andrei Rallis

STATE OF	§ \$			
COUNTY OF	§ §			
This instrument was Andrei Rallis.	acknowledged befo	ore me on the	day of	, 2002 by
My Commission Expires				
		Notary Pu Printed N	iblic, State of ame:	

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS	· · · · · · · · · · · · · · · · · · ·		 	\	Well No.:	2		BAR, NORTH (WOLFC BAR, NE (STRAWN)	
Well Location:	SE/4 SE/4 (APP	ROX 990' FS	L & 1100' FEL)		Legal: SECT	TION 7, T	16S, R36E		·
County:	LEA			State:	NM	Prop Depth:		11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	CAL, KO HO	RIZONTAL, CO	OMPLETE	AND EQUIP	11,400' STRAWN	PUMPIN	GOIL WELL, MD 13,2	100'	
								DRILL VERT	RUN CSG DRLG HORIZ	
سيند سيسبيس			CATEGORY				-	& TEST	COMPLETE	TOTAL
INTANGIBLES: Build roads, locate Contract Drig - M Contract Drig - De Contract Drig - De Contract Drig - Fe	obilization ay work ay work		\$25,000 days @ days @ feet @	\$9,200 \$9,200	/day			\$30,000 \$30,000 \$322,000	\$119,600	\$30,000 \$30,000 \$322,000 \$119,600
Bits Fuel & Power Completion Rig Cement Surface Cement Productio Casing Tools and	\$5,500 on	days @	\$15,000 \$2,100 /nt Intermediate	day	\$20,000			\$65,000 \$42,000 \$25,500 \$5,500	\$45,000 \$15,300 \$12,600	\$110,000 \$57,300 \$12,600 \$25,500 \$30,000 \$12,500
P & A Open Hole Loggin Mud Logging Cased Hole Logg Perforating	ng \$16,000	Coring						\$8,000 \$18,000 \$16,000	\$7,000 \$10,000 \$0	\$8,000 \$18,000 \$16,000 \$10,000
DST/Testing Stimulation - Aci Special Services Rentals - Surface Rentals - BHA Ed Rentals -		Rotating Hea	Services, Motors ad, Gas Sep., Ho Pkrs., X-overs,	ousing	•	\$0	 	\$16,000 \$85,000 \$7,500 \$5,000	\$15,000 \$65,000 \$2,500 \$5,000 \$18,500	\$16,000 \$15,000 \$150,000 \$10,000 \$10,000 \$18,500
Miscellaneous Re Mud & Chemical Rig Supervision Trucking Insurance	entals s \$500.00	Frac Tanks /day	<u>37</u> [Orill	13	Complete	 	\$2,500 \$30,000 \$18,500 \$4,000 \$9,500	\$2,500 \$10,000 \$6,500 \$4,000	\$5,000 \$40,000 \$25,000 \$8,000 \$9,500
Lease Equipment Contingencies @		tion ition	37_E of Total	Orill	19	Complete		\$9,250 \$2,500 \$75,200	\$4,750 \$4,500 \$7,500 \$38,500	\$14,000 \$7,000 \$7,500 \$113,700
TOTAL INTAN TANGIBLES: Well Equipment	GIBLES - Non Controllable						=	\$826,950	\$423,750	\$1,250,700
Surface Casing - 450 ft o	of 13-3/8 LS	OD,	48	#/ft, @	\$18.00	/ foot	_	\$8,100		\$8,100
Intermediate Cas 4,900 ft of	•	OD,	24 & 32	#/ft, @	\$11.50	/ foot		\$56,350		\$56,350
Producting Casin 11,400 ft o	•	OD,	17 & 20	#/ft, @	\$9.00	/ foot			\$102,600	\$102,600
Tubing -		-	12.9 N-80 6.5	#/ft, @ #/ft, @	\$6.50 \$3.85	_			\$1,950 \$43,890	\$1,950 \$43,890
Rods - 6,600 ft c 4,400 ft c Pumping Unit / N Subsurface Pump Other Control Su	of 1.2" FC 7/8" & 1.5" Motor	•	640 Used		\$3.00	/ foot / foot 50			\$19,800 \$8,800 \$45,000 \$5,000 \$2,500	\$19,800 \$8,800 \$45,000 \$5,000 \$2,500
Separators Flowlines Tanks Sales Equipment Compressors	nent 1 - Non Controllable \$2,500 1,500 /Meter Runs, etc.	Treaters	_	Dehyd OD, @	\$3.50	\$4,500 / foot	-	\$7,000	\$14,500 \$1,500 \$5,500 \$5,250 \$8,000 \$5,000	\$21,500 \$1,500 \$5,500 \$5,250 \$8,000 \$5,000
Pumps Electrical System Fittings Other Control Le		3 Poles, sla	ck span, meter I	оор			_		\$3,500 \$4,500 \$3,500	\$0 \$3,500 \$4,500 \$3,500
TOTAL TANG	IBLES							\$71,450	\$280,790	\$352,240
TOTAL WELL CO	OST COMPLETE)						\$898,400	\$704,540	\$1,602,940
REMARKS:	Drill 17-1/2" s Drill 7-7/8" pr PB & set 5-1/2	urface hole to oduction hole " casing at 1	to 10,000', KO	-3/8" casin build angle O Horizti.	and drill to 1 Drill to TVD	1,400' log and eva	luate Wol	l set 8-5/8" casing. fcamp & Strawn (D&T ific BHL per detail.	costs).	
Prepared By:	M. Stewart	·	Initials:	4	5		Title:	Engineer	Date:	04/19/02
Approval Company:			Ву:				Title:		Date:	
Share %:	100.00004	%			Net \$ Amo	unt:		\$1,602,940		

IPERMIAN RESOURCES, TRE.

April 12, 2002

Satirios Rallis General Delivery Silivena Egialias, Greece

RE: CHAMBERS PROSPECT

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

Dear Satirios:

County records indicate that you own a 0.125% Mineral Interest in the referenced tract, which equates to 0.100 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a $3/16^{th}$ 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.

Please let me know your thoughts regarding this matter.

Sincerely,

William L. Porter, (

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, Lessoe:

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 in the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing.

 The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bone 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 together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered i
- 4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.
- 5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.
- 6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.
- 7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.
- 8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.
- 9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
- 10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailting a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed	the day	, and	vear	first	ahove	written	
FYACAIAG	1110 00	, 6110	you,	***		**********	

Satirios !	Rallis		

STATE OF	§		
COUNTY OF	§ §		
This instrument was Satirios Rallis.	s acknowledged befo	re me on the day of	, 2002 by
My Commission Expires			
		Notary Public, Stat	e of

•

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS			_Well No.:	2 Fleid:	SHOE BAR, NORTH (WOL SHOE BAR, NE (STRAWN	
Well Location:	SE/4 SE/4 (APPROX	990' FSL & 1100' FEL)	Legal: SEC1	TION 7, T16S, R36E		
County:	LEA		State: NM	Prop Depth:	11,400	feet AFE No.:	
Obj./ Form.	DRILL VERTICAL	KO HORIZONTAL. C		- •	PUMPING OIL WELL, M	-	
ouj., i oi iii.	DR.DD VDR.TOND,	10 1101115011115, 0	<u> </u>	11,400 81107111		RUN CSG	
		CATEGORY			DRILL VERT & TEST	DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES:							
Build roads, loca Contract Drlg - N	ton, pits & survey	\$25,000	Damages \$5,000		\$30,000 \$30,000	-	\$30,000 \$30,000
Contract Drlg - I Contract Drlg - I		35.0 days @ _	\$9,200 /day		\$322,000	-	\$322,000
Contract Drig - I		13.0 days @ feet @	\$9,200 /day /foot			\$119,600	\$119,600
Bits Fuel & Power	\$42,300	Water \$15,000			\$65,000 \$42,000		\$110,000
Completion Rig	6 day	s @ \$2,100 /	•			\$12,600	\$57,300 \$12,600
Cement Surface Cement Producti	\$5,500 ion	Cement Intermediate	\$20,000	<u>) </u>	\$25,500		\$25,500 \$30,000
Casing Tools and P & A					\$5,500	\$7,000	\$12,500
Open Hole Logg					\$8,000 \$18,000	_	\$8,000 \$18,000
Mud Logging Cased Hole Log	\$16,000 ging	Coring			\$16,000	\$10,000	\$16,000 \$10,000
Perforating		n-hole completion				\$0	\$0
DST/Testing Stimulation - Ac	id	\$15,000 Stimulation	n - Fracture	<u>\$0</u>	\$16,000		\$16,000 \$15,000
Special Services Rentals - Surfac		ectional Services, Motor ating Head, Gas Sep., H	•		\$85,000 \$7,500	\$65,000	\$150,000 \$10,000
Rentals - BHA	Equipment Whi	ipstock, Pkrs., X-overs,	Valves		\$5,000		\$10,000
Rentals - Miscellaneous R		\$15,000 Tubing	BOP/C	K \$3,500	\$2,500	\$18,500 \$2,500	\$18,500 \$5,000
Mud & Chemica			S 12		\$30,000	\$10,000	\$40,000
Rig Supervision Trucking	\$500.00/da	y <u>37</u> I)fili1.	Complete	\$18,500 \$4,000		\$25,000 \$8,000
Insurance Overhead	\$250.00 /da	y 37 I	orill 19	9 Complete	\$9,500 \$9,250	-	\$9,500 \$14,000
Well Equipment	- Intangible Installation	·		complete	\$2,500	\$4,500	\$7,000
Lease Equipmer Contingencies (nt - Intangible Installation @	10.0% of Total			\$75,200	\$7,500 \$38,500	\$7,500 \$113,700
TOTAL INTA	NCIBLES				\$826,950		\$1,250,700
					3820,530	3423,730	31,230,700
TANGIBLES: Well Equipment	t - Non Controllable						
Surface Casing 450 ft	of 13-3/8 LS	OD, 48	#/ft, @\$18.0	0 / foot	\$8,100		\$8,100
Intermediate Ca	sing -			_		-	
4,900 ft Producting Casi	of 8-5/8"	OD, 24 & 32	#/ft, @ \$11.5	0 / foot	\$56,356	<u>) </u>	\$56,350
11,400 ft Liner -	of <u>5-1/2</u> "	OD, 17 & 20	#/ft, @ \$9.0	0 / foot		\$102,600	\$102,600
300 ft	of <u>4" FJ</u>	OD, 12.9	#/ft, @ \$6.5	0_ / foot		\$1,950	\$1,950
Tubing - 	of 2-7/8"	OD, N-80 6.5	#/ft, @\$3.8	5 / foot		\$43,890	\$43,890
Rods -	of 1.2" FG	OD,		0 / foot			· · · · · · · · · · · · · · · · · · ·
4,400 ft	of 7/8" & 1.5"	OD,	\$2.0	0 / foot		\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit / Subsurface Purr		I Size 640 Used	Motor HP	50		\$45,000 \$5,000	\$45,000 \$5,000
Other Control S	ubsurface	enon The Used	£10,000 Valu	\$4.500	es 44	\$2,500	\$2,500
Wellhead Equip Lease Equipment	nt - Non Controllable		\$10,000 Valve	s <u>\$4,500</u>	\$7,00	0 \$14,500 \$1,500	\$21,500 \$1,500
Separators Flowlines	\$2,500 1,500	Treaters \$3,000 ft of 3" Steel	Dehyd OD, @ \$3.5	0 / foot		\$5,500 \$5,250	\$5,500 \$5,250
Tanks			il Tanks Used			\$8,000	\$8,000
Compressors	nt/Meter Runs, etc.					\$5,000	\$5,000 \$0
Pumps Electrical Syste	ems 3 P	oles, slack span, meter l	oon			\$3,500	\$0 \$3,500
Fittings		•				\$4,500	\$4,500
Other Control L	ease Equipment	POC				\$3,500	\$3,500
TOTAL TANG	GIBLES				\$71,45	0 \$280,790	\$352,240
TOTAL WELL C	OCT COMBI ETED				£900 40	0 6704.540	et 602.040
TOTAL WELL C	OST COMPLETED				\$898,40	0 \$704,540	\$1,602,940
REMARKS:	See Attached Drillin	ng Prognosis For Details	.				
	Drill 17-1/2" surfac	e hole to 450' and set 13	-3/8" casing. Drill 11"		4,900' and set 8-5/8" casin uate Wolfcamp & Strawn		
_	PB & set 5-1/2" cas	ing at 11,200'. DO & K	O Horiztl. Drill to TV		50' to specific BHL per deta		
	Run opitional 4" FJ	liner, acidize and equip	w/ BPU if required.				
Prepared By:	M. Stewart	Initials:			Title: Engineer	Date:	04/19/02
Approval		_			anu.	_	
Company:		By:			Title:	Date:	
Shara %	100 0000%		Net S An	tount.	\$1.602.0	40	

IPERMIAN RESOURCES, THE.

April 12, 2002

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

RE: CHAMBERS PROSPECT

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

Dear Sotirios:

County records indicate that you own a 0.15625% Mineral Interest in the referenced tract, which equates to 0.125 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16th 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 \$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.

Please let me know your thoughts regarding this matter.

XXXV.

Sincerely,

William L. Porter Land Manager

OIL & GAS LEASE

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

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

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

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

- 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
- 3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, Three-sixteenths of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of Three-sixteenths of the gas used, provided that on gas sold on or off the premises, the royalties shall be Three-sixteenths of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid-or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid to tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona filde 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 together with such written instruments
- 4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.
- 5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.
- 6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.
- 7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.
- 8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.
- 9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
- 10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed	the	day	and	year	first	above	written.
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STATE OF	§				
COUNTY OF	§ §				
This instrument was a Sotirios Papadopoulos.	acknowledged bef	fore me on the	day of	, 2002 by	
My Commission Expires					
		Notary Pu Printed Na	blic, State of		

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

>580.04÷

Lease Name:	CHAMBERS					Well No.:	2		BAR, NE (STRAWN)	AMP)
Well Location:	SE/4 SE/4 (APF	ROX 990' FS	L & 1100' FEL	.)		Legal: SEC	TION 7, 1	116S, R36E		
County:	LEA	. 		State:	NM	Prop Depth:	_	11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	CAL, KO HO	RIZONTAL, C	OMPLETE	AND EQUIP	11,400' STRAWN	PUMPIN	NG OIL WELL, MD 13,2	.00'	
								DRILL VERT	RUN CSG DRLG HORIZ	
			CATEGORY				=	& TEST	COMPLETE	TOTAL
INTANGIBLES:	m mita Pransmissi		\$25,000	Damagas	95 000			#20 AAA		***
Build roads, locato Contract Drlg - Mo	bilization		\$25,000	Damages	\$5,000			\$30,000 \$30,000		\$30,000 \$30,000
Contract Drlg - Da Contract Drlg - Da			days @ _ days @ _	\$9,200 \$9,200			_	\$322,000	\$119,600	\$322,000 \$119,600
Contract Drlg - For Bits			feet @		/foot			\$0 \$65,000	\$45,000	\$0 \$110,000
Fuel & Power	\$42,300	Water		(4			_	\$42,000	\$15,300	\$57,300
Completion Rig Cement Surface	\$5,500	•	\$2,100 nt Intermediate	•	\$20,000		_	\$25,500	\$12,600	\$12,600 \$25,500
Cement Production Casing Tools and (\$30,000	-					\$5,500	\$30,000 \$7,000	\$30,000 \$12,500
P & A Open Hole Loggin							-	\$8,000 \$18,000		\$8,000 \$18,000
Mud Logging	\$16,000	Coring					-	\$16,000		\$16,000
Cased Hole Loggii Perforating	ıg	open-hole co	mpletion						\$10,000 \$0	\$10,000 \$0
DST/Testing Stimulation - Acid		\$15,000	Stimulatio	n - Fracture		\$0	-	\$16,000	\$15,000	\$16,000 \$15,000
Special Services Rentals - Surface			Services, Motor ad, Gas Sep., H	-			-	\$85,000 \$7,500	\$65,000 \$2,500	\$150,000 \$10,000
Rentals - BHA Eq		Whipstock,	Pkrs., X-overs,	Valves	202/01/		-	\$5,000	\$5,000	\$10,000
Rentals - Miscellaneous Rer	Drill Pipe Itals	\$15,000 Frac Tanks	_ Tubing _		BOP/CK	\$3,500	-	\$2,500	\$18,500 \$2,500	\$18,500 \$5,000
Mud & Chemicals Rig Supervision	\$500.00	/day	37	Drill	13	Complete	-	\$30,000 \$18,500	\$10,000 \$6,500	\$40,000 \$25,000
Trucking Insurance		-				•		\$4,000 \$9,500	\$4,000	\$8,000 \$9,500
Overhead	\$250.00		37_	Drill	19	Complete	•	\$9,250	\$4,750	\$14,000
Well Equipment - Lease Equipment	_	tion						\$2,500	\$4,500 \$7,500	\$7,000 \$7,500
Contingencies @		10.0%	of Total				•	\$75,200	\$38,500	\$113,700
TOTAL INTAN	GIBLES							\$826,950	\$423,750	\$1,250,700
TANGIBLES: Well Equipment -	Non Controliable					,			_	
Surface Casing - 450 ft of		OD,	48	#/ft, @	\$19.00	/ foot	-	\$8,100		\$8,100
Intermediate Casin	ng -	_				-	-			
4,900 ft of Producting Casing		_	24 & 32	#/ft, @		_ / foot		\$56,350		\$56,350
11,400 ft o		_	17 & 20	#/ft, @		_ / foot			\$102,600	\$102,600
300 ft o		_	12.9	#/ft, @		_ / foot			\$1,950	\$1,950
11,400 ft o Rods -		-	N-80 6.5	#/ft, @		_ / foot			\$43,890	\$43,890
6,600 ft o 4,400 ft o		<u>0</u> OD, _ OD,				_ / foot _ / foot			\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit / M Subsurface Pump		API Size	640 Used		_Motor HP	50			\$45,000 \$5,000	\$45,000 \$5,000
Other Control Sul Wellhead Equipm	surface	\$7,000	_ Tbg Head	\$10,000	Valves	\$4,500		\$7,000	\$2,500 \$14,500	\$2,500 \$21,500
Lease Equipment	- Non Controllable	;	-		-	34,300		37,000	\$1,500	\$1,500
Separators Flowlines	\$2,500 1,500		\$3,000 3" Steel	Dehyd OD, @		/ foot			\$5,500 \$5,250	\$5,500 \$5,250
Tanks Sales Equipment/	Meter Runs, etc.		2 - 500 Bbl C	il Tanks Us	sed				\$8,000 \$5,000	\$8,000 \$5,000
Compressors	,									
Pumps Electrical System	s	3 Poles, sla	ck span, meter	loop					\$3,500	\$3,500
Fittings Other Control Le	ase Equipment		POC						\$4,500 \$3,500	\$4,500 \$3,500
TOTAL TANGI	BLES							\$71,450	\$280,790	\$352,240
TOTAL WELL CO	ST COMPLETE	`						\$898,400	\$704,540	\$1,602,940
TOTAL WELL CO		-						907.04700	۵٬۷۹۱۵۹۰	0.10001240
REMARKS:			osis For Detail		a Deillin:	ntermediate hale to	A 900' a-	nd set 8-5/8" casing.		
	Drill 7-7/8" p	oduction hole	to 10,000', KC	build angle	and drill to	11,400' log and eva	luate Wo	olfcamp & Strawn (D&T	costs).	
			i,200'. DO & I cidize and equi			11,300°, MD 13,3	ou to spe	cific BHL per detail.		
Prepared By:	M. Stewart		Initials:	_4_	5		Title:	Engineer	Date:	04/19/02
Approval				-	مست					
Company:			Ву:	·			Title:		Date:	
Share %:	100.0000	%			Net \$ Am	ount:		\$1,602,940		

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.

Please let me know your thoughts regarding this matter.

Sincerely,

William L. Porter, CPL Land Manager

Mary Van Wyk

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,

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 from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well or Inree-sixteenths or the gas used, provided that on gas sold on or off the premises, the royalties shall be Three-sixteenths of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing.

 The segment or tenders of greating and shut-in greating attended to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed. performed.
- 4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof
- 5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.
- 6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cassation 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.
- see 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 and assigns, but no change in the ownership of the land of in the ownership of, origins to receive, royalties or shall be finding upon Lessee for any purpose until 30 days after Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee for furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.
- 9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
- 10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fall 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 are 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.	Э
Executed the day and year first above written.	

STATE OF COLORADO	§ 6		
COUNTY OF	§ §		
This instrument was ackr Mary Van Wyk.	nowledged before me on the	day of	, 2002 by
My Commission Expires			
	Notary F	Public, State of (Colorado

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

SHOE BAR, NORTH (WOEFCAMP)

Lease Name:	CHAMBERS					Well No.:	2		BAR, NORTH (WOEFC BAR, NE (STRAWN)	AMP)
Well Location:	SE/4 SE/4 (APP	ROX 990' FSI	& 1100' FEL)		Legal: SEC	TION 7, 1	116S, R36E		
County:	LEA			State:	NM	Prop Depth:	_	11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	CAL, KO HOR	IZONTAL, C	OMPLETE	AND EQUIF	11,400' STRAW	N PUMPII	NG OIL WELL, MD 13,2		
			· ATTECORY					DRILL VERT	RUN CSG DRLG HORIZ	mom
·			ATEGORY			······································	=	& TEST	COMPLETE	TOTAL
INTANGIBLES: Build roads, locaton			\$25,000	Damages	\$5,000		_	\$30,000		\$30,000
Contract Drig - Mot Contract Drig - Day		35.0	days @	\$9,200	/day		_	\$30,000 \$322,000	_	\$30,000 \$322,000
Contract Drlg - Day Contract Drlg - Foo	work	13.0	days @ _ feet @	\$9,200			_		\$119,600	\$119,600
Bits					_ /1001		-	\$0 \$65,000	\$45,000	\$110,000
Fuel & Power Completion Rig		Water days @	\$2,100	'day			-	\$42,000	\$15,300 \$12,600	\$57,300 \$12,600
Cement Surface Cement Production	\$5,500	Cement \$30,000	Intermediate		\$20,000	-	-	\$25,500	\$30,000	\$25,500 \$30,000
Casing Tools and C P & A	rews						-	\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hale Lagging		Continue					-	\$18,000		\$18,000
Mud Logging Cased Hole Logging	\$16,000 g	Coring					-	\$16,000	\$10,000	\$16,000 \$10,000
Perforating DST/Testing		open-hole cor	npletion					\$16,000		\$0 \$16,000
Stimulation - Acid Special Services		\$15,000 Directional Se	Stimulation		•	\$0_	-	\$85,000	\$15,000 \$65,000	\$15,000 \$150,000
Rentals - Surface	:	Rotating Hea	d, Gas Sep., H	ousing			-	\$7,500	\$2,500	\$10,000
Rentals - BHA Equ Rentals -	Drill Pipe	\$15,000	krs., X-overs, Tubing		_ вор/ск	\$3,500	-	\$5,000	\$5,000 \$18,500	\$10,000 \$18,500
Miscellaneous Rent Mud & Chemicals	tals	Frac Tanks					-	\$2,500 \$30,000	\$2,500 \$10,000	\$5,000 \$40,000
Rig Supervision Trucking	\$500.00	_ /day _	<u>37</u> _ I	Orill	13	_Complete	-	\$18,500 \$4,000	\$6,500 \$4,000	\$25,000 \$8,000
insurance Overhead	\$250.00	/day	37 I	Orill	19	Complete	-	\$9,500 \$9,250	\$4,750	\$9,500 \$14,000
Well Equipment - 1	ntangible instalia	tion	······································	J.III.		_complete		\$2,500	\$4,500	\$7,000
Lease Equipment - Contingencies @	intangible installa		of Total					\$75,200	\$7,500 \$38,500	\$7,500 \$113,700
TOTAL INTANG	IBLES							\$826,950	\$423,750 -	\$1,250,700
TANGIBLES:							•	-		
Well Equipment - It Surface Casing -	Non Controllable									
450 ft of	13-3/8 LS	OD,	48	#/ft, @	\$18.00	/ foot		\$8,100		\$8,100
Intermediate Casing 4,900 ft of	8-5/ <u>8</u> '	OD,	24 & 32	#/ft, @	\$1 1.50	/ 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	4" F.	OD,	12.9	#/ft, @					\$1,950	\$1,950
Tubing -		-	N-80 6.5	#/ft, @						
Rods -		-	14-60 0.3	#/1t, @		_ / foot			\$43,890	\$43,890
6,600 ft of 4,400 ft of	1.2" FC 7/8" & 1.5"	OD, OD,	-) / foot) / foot			\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit / Mo Subsurface Pumps	olor	API Size	640 Used		_ Motor HP	50			\$45,000 \$5,000	\$45,000 \$5,000
Other Control Subs Wellhead Equipme		\$7,000	Tbg Head	\$10,000	<u> </u>	s \$4,500_		\$7,000	\$2,500 \$14,500	\$2,500 \$21,500
Lease Equipment - Separators			\$3,000	Dehyd		- 4,500		31,000	\$1,500	\$1,500
Flowlines	1,500	-	3" Steel	OD, @	\$3.50	/ foot			\$5,500 \$5,250	\$5,500 \$5,250
Tanks Sales Equipment/N	leter Runs, etc.		2 - 500 Bbl O	il lanks U	sea				\$8,000 \$5,000	\$8,000 \$5,000
Compressors Pumps										
Electrical Systems Fittings		3 Poles, slaci	k span, meter l	оор					\$3,500 \$4,500	\$3,500 \$4,500
Other Control Leas	se Equipment		POC						\$3,500	\$3,500
TOTAL TANGIE	BLES							\$71,450	\$280,790	\$352,240
TOTAL WELL COS	T COMPLETEE)						\$898,400	\$704,540	\$1,602,940
REMARKS:	See Attached I	Orilling Progno	sis For Details	s						
	Drill 17-1/2" s	urface hole to	450' and set 13	-3/8" casin				nd set 8-5/8" casing.	costs).	
	PB & set 5-1/2		200'. DO & K	O Horiztl.	Drill to TVD			cific BHL per detail.		
n		- runner, act		W DTU II	A -	······································	pp-1	Po die co		
Prepared By:	M. Stewart		- Initials:	4			Title:	Engineer	Date:	04/19/02
Approval Company:			Ву:				Title:		Date:	
Share %:	100.00005	/ ₆			Net \$ Am	ount:		\$1,602,940		

IPERMIAN RESOURCES, TINC.

April 12, 2002

Nancy Fox 16 Aurielle Drive Colchester, Vermont 05446

RE: **CHAMBERS PROSPECT**

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

- As to the Strawn Formation

Dear Nancy:

County records indicate that you own a .4523857% Mineral Interest in the referenced tract, which equates to .36190856 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16th 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.

Please let me know your thoughts regarding this matter.

Sincerely,

William L. Porter, CDL Land Manager

OIL & GAS LEASE

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

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

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

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

- 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
- 3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well. Three-sixteenths of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of Three-sixteenths of the gas substance produced 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 in the terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct s
- 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 beirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.
- 9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
- 10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

STATE OF VERMONT	§		
COUNTY OF	§ §		
This instrument was act Nancy Fox.	knowledged before me on the	day of	, 2002 by
My Commission Expires			
	Notary Printed N	ublic, State of	Vermont

•

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

SHOE BAR, NORTH (WOLFCAMP)

Lease Name:	CHAMBERS		····			Well No.:	2		BAR, NE (STRAWN)	
Well Location:	SE/4 SE/4 (APP	ROX 990' FSL & 1	100' FEL)			Legal: SECT	TION 7, T	16S, R36E		
County:	LEA			State:	NM	Prop Depth:		11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTIC	CAL, KO HORIZO	NTAL, CO	MPLETE.	AND EQUIP	11,400' STRAWN	PUMPIN	NG OIL WELL, MD 13,2	:00'	
								DRILL VERT	RUN CSG DRLG HORIZ	
		CAT	EGORY					& TEST	COMPLETE	TOTAL
INTANGIBLES:										
Build roads, locator Contract Drlg - Mo		\$	25,000	Damages	\$5,000		_	\$30,000 \$30,000		\$30,000 \$30,000
Contract Drlg - Day Contract Drlg - Day		35.0 days		\$9,200 \$9,200	/day /day		_	\$322,000	\$119,600	\$322,000 \$119,600
Contract Drig - Foo		feet		97,200	/foot			\$0		\$0
Bits Fuel & Power	\$42,300	WaterS	15,000				_	\$65,000 \$42,000	\$45,000 \$15,300	\$110,000 \$57,300
Completion Rig Cement Surface	\$5,500	days @ Cement Inte	\$2,100 /da	ay	\$20,000			\$25,500	\$12,600	\$12,600 \$25,500
Cement Production		\$30,000		•		•	-		\$30,000	\$30,000
Casing Tools and C P & A	rews							\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hole Logging Mud Logging	\$16,000	Coring					_	\$18,000 \$16,000		\$18,000 \$16,000
Cased Hole Loggin		open-hole comple	tion				_		\$10,000	\$10,000
DST/Testing		·		_				\$16,000		\$0 \$16,000
Stimulation - Acid Special Services		\$15,000 S Directional Service	Stimulation ces, Motors,			\$0		\$85,000	\$15,000 \$65,000	\$15,000 \$150,000
Rentals - Surface Rentals - BHA Equ	inment	Rotating Head, Ga Whipstock, Pkrs.,					-	\$7,500	\$2,500	\$10,000
Rentals -	Drill Pipe	\$15,000	Tubing	aives	вор/ск	\$3,500	-	\$5,000	\$5,000 \$18,500	\$10,000 \$18,500
Miscellaneous Ren Mud & Chemicals		Frac Tanks					-	\$2,500 \$30,000	\$2,500 \$10,000	\$5,000 \$40,000
Rig Supervision Trucking	\$500.00	/day	37_Dr	ill	13	Complete	-	\$18,500 \$4,000	\$6,500	\$25,000 \$8,000
insurance							-	\$9,500	\$4,000	\$9,500
Overhead Well Equipment -	\$250.00 Intangible Installa		<u>37</u> _Dr	ill	19	_Complete	-	\$9,250 \$2,500	\$4,750 \$4,500	\$14,000 \$7,000
Lease Equipment - Contingencies @	Intangible Installa	ation 10.0% of T	[otal				-	\$75,200	\$7,500 \$38,500	\$7,500 \$113,700
TOTAL INTANO	Sint no	10.070					-			
TOTALINTANC	HDLES						*	\$826,950	\$423,750	\$1,250,700
TANGIBLES: Well Equipment -	Non Controllable								•	
Surface Casing - 450 ft of		OD,	48	#/fì, @	\$18.00	/ foot	-	\$8,100		\$8,100
Intermediate Casin	ng -					-	-			
4,900 ft of Producting Casing		OD,	24 & 32	#/ft, @	\$11.50	_ / foot	-	\$56,350		\$56,350
11,400 ft of	5-1/2	OD,	17 & 20	#/ft, @	\$9.00	_ / foot			\$102,600	\$102,600
300 ft of	4" F.	OD,	12.9	#/ft, @	\$6.50	_ / foot			\$1,950	\$1,950
11,400 ft of	2-7/8	OD,	N-80 6.5	#/ft, @	\$3.85	_ / foot			\$43,890	\$43,890
Rods - 6,600ft of	f1.2" FC	OD,				/ foot			\$19,800	\$19,800
4,400 ft of Pumping Unit / M		OD, API Size 640	Used		\$2.00 Motor HP	/ foot 50			\$8,800 \$45,000	\$8,800 \$45,000
Subsurface Pumps	i	7.1.1.0.120 <u>9.10</u>							\$5,000	\$5,000
Other Control Sub Wellhead Equipm		\$7,000 T	bg Head	\$10,000	_ Valves	\$4,500	_	\$7,000	\$2,500 \$14,500	\$2,500 \$21,500
Lease Equipment Separators	Non Controllable - \$2,500		\$3,000	Dehyd					\$1,500 \$5,500	\$1,500 \$5,500
Flowlines Tanks	1,500		3" Steel 500 Bbl Oil	OD, @		/ foot			\$5,250 \$8,000	\$5,250 \$8,000
Sales Equipment/I	Meter Runs, etc.	20,	JOQ DDI OII	talika Os					\$5,000	\$5,000
Compressors Pumps										\$0 \$0
Electrical Systems Fittings	3	3 Poles, slack spa	an, meter lo	op					\$3,500 \$4,500	\$3,500 \$4,500
Other Control Lea	ase Equipment	PO	С						\$3,500	\$3,500
TOTAL TANGI	BLES							\$71,450	\$280,790	\$352,240
									•	
TOTAL WELL COS	ST COMPLETED)						\$898,400	\$704,540	\$1,602,940
REMARKS:		Orilling Prognosis I urface hole to 450'		3/8" casing	g. Drill 11" is	ntermediate hole to	4,900' an	id set 8-5/8" casing.		
								olfcamp & Strawn (D&T cific BHL per detail.	costs).	
		4" FJ liner, acidize								
Prepared By:	M. Stewart		Initials: _	1			Title:	Engineer	Date:	04/19/02
Approval										
Company:			By: _				Title:		Date:	
Share %:	100.0000	%			Net \$ Amo	ount:		\$1,602,940		

IPERMIAN RESOURCES, TRE.

April 12, 2002

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

RE: CHAMBERS PROSPECT

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

Dear James:

County records indicate that you own a .4523857% Mineral Interest in the referenced tract, which equates to .36190856 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16th 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.

Please let me know your thoughts regarding this matter.

Sincerely,

William L. Porter CPL

Land Manager

OIL & GAS LEASE

THIS AGREEMENT made this 12th day of April, 2002 between James I. Holden, Jr., dealing in his sole and separate property, 2250 Havensridge Drive, Colorado Springs, 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 Lesser in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of Three-sixteenths of the gas used, provided that on gas sold on or off the premises, the royalties shall be Three-sixteenths of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the myalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment, but which is erroneous in whole or in pa
- 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 estias 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 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.

en.

STATE OF COLORADO	& &		
COUNTY OF	§		
This instrument was ackr James I. Holden, Jr.	nowledged before me on the	day of	, 2002 by
My Commission Expires			
	Notary Printed	Public, State of (Colorado

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

4 4 4 . .

Lease Name:	CHAMBERS	Well No.: 2		BAR, NORTH (WOLFCA! BAR, NE (STRAWN)	MP)
				DAR, NE (STRAWN)	
Well Location:	SE/4 SE/4 (APPROX 990' FSL & 1100' FEL)	Legal: SECTION 7,			
County:	LEA State: NM	Prop Depth:	11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTICAL, KO HORIZONTAL, COMPLETE AND EQU	IP 11,400' STRAWN PUMP	ING OIL WELL, MD 13,3	RUN CSG	
	CATEGORY		DRILL VERT& TEST	DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES:					
Build roads, locate Contract Drlg - Me	•	0	\$30,000 \$30,000		\$30,000 \$30,000
Contract Drlg - Da	y work 35.0 days @ \$9,200 /day		\$322,000	-	\$322,000
Contract Drig - Da Contract Drig - Fo	• • • • • • • • • • • • • • • • • • • •		\$0	\$119,600	\$119,600
Bits	otage		\$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300 Water \$15,000		\$42,000	\$15,300	\$57,300
Completion Rig Cement Surface		00	\$25,500	\$12,600	\$12,600 \$25,500
Cement Production	s30,000			\$30,000	\$30,000
Casing Tools and P & A	Crews		\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hole Loggir			\$18,000	-	\$18,000
Mud Logging	\$16,000 Coring		\$16,000		\$16,000
Cased Hole Loggi Perforating	open-hole completion			\$10,000 \$0	\$10,000 \$0
DST/Testing			\$16,000		\$16,000
Stimulation - Acid Special Services	Directional Services, Motors, MWD	\$0	\$85,000	\$15,000 \$65,000	\$15,000 \$150,000
Rentals - Surface	Rotating Head, Gas Sep., Housing		\$7,500	\$2,500	\$10,000
Rentals - BHA Eq Rentals -		TV \$2.500	\$5,000	\$5,000	\$10,000
Miscellaneous Re	•	CK \$3,500	\$2,500	\$18,500 \$2,500	\$18,500 \$5,000
Mud & Chemicals			\$30,000	\$10,000	\$40,000
Rig Supervision Trucking	\$500.00 /day 37 Drill 1	13 Complete	\$18,500 \$4,000	\$6,500 \$4,000	\$25,000 \$8,000
Insurance			\$9,500	34,000	\$9,500
Overhead		19 Complete	\$9,250	\$4,750	\$14,000
	Intangible Installation - Intangible Installation		\$2,500	\$4,500 \$7,500	\$7,000 \$7,500
Contingencies @	-		\$75,200	\$38,500	\$113,700
TOTAL INTAN	GIBLES		\$826,950	\$423,750	\$1,250,700
TANGIBLES:					
Well Equipment -	Non Controllable				
Surface Casing -		00 / 6	60 100		******
450 ft o		00 / foot	\$8,100	•	\$8,100
4,900 ft o		50 / foot	\$56,350		\$56,350
Producting Casing		00 / foot		\$102,600	\$102,600
Liner -					
300 ft o	f 4"FJ OD, 12.9 #/ft,@ \$6.	50 / foot		\$1,950	\$1,950
11,400ft o	f <u>2-7/8*</u> OD, <u>N-80 6.5</u> #/ft, @ \$3.0	85 / foot		\$43,890	\$43,890
Rods - 6,600 ft o	of 1.2" FG OD, \$3.	00 / foot		\$10 9 00	£10.000
4,400 ft d		00 / foot		\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit / M		P50		\$45,000	\$45,000
Subsurface Pump Other Control Su				\$5,000 \$2,500	\$5,000 \$2,500
Wellhead Equipn		ves \$4,500	\$7,000	\$14,500	\$21,500
	- Non Controllable			\$1,500	\$1,500
Separators Flowlines	\$2,500 Treaters \$3,000 Dehyd 1,500 ft of 3" Steel OD, @ \$3.	.50 / foot		\$5,500	\$5,500
Tanks	2 - 500 Bbl Oil Tanks Used	50 / 100t		\$5,250 \$8,000	\$5,250 \$8,000
Sales Equipment				\$5,000	\$5,000
Compressors					
Pumps Electrical System	s 3 Poles, slack span, meter loop			\$3,500 -	\$3,500
Fittings	5 1 51-51-51 1 pan, 11-51-51 1 5-51			\$4,500	\$4,500
Other Control Le	ase Equipment POC			\$3,500	\$3,500
TOTAL TANG	IBLES		\$71,450	\$280,790	\$352,240
TOTAL WELL CO	ST COMPLETED		\$909 400	\$704.840	£1 602 040
TOTAL WELL CO	GI COMIT DE LED		\$898,400	\$704,540	\$1,602,940
REMARKS:	See Attached Drilling Prognosis For Details				
	Drill 17-1/2" surface hole to 450' and set 13-3/8" casing. Drill 11' Drill 7-7/8" production hole to 10,000', KO build angle and drill to			onets)	
	PB & set 5-1/2" casing at 11,200'. DO & KO Horiztl. Drill to TV			costs).	
	Run opitional 4" FJ liner, acidize and equip w/ BPU if required.				
Prepared By:	M. Stewart Initials:	Title	e: Engineer	Date:	04/19/02
				·	
Approval Company:	Ву:	Title	e:	Date:	
Share %:	100.0000% Net \$ A	mount:	\$1,602,940		

IPERMIAN RESOURCES, THE.

April 12, 2002

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

RE: CHAMBERS PROSPECT

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

Dear Miriam:

County records indicate that you own a 1.4286% Mineral Interest in the referenced tract, which equates to 1.14288 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a $3/16^{th}$ 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 \$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.

Please let me know your thoughts regarding this matter.

Sincerely,

William L. Porter, CPI Land Manager

OIL & GAS LEASE

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

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

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

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

- 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
- 3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well. Three-sixteenths of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of Three-sixteenths of the gas used, provided that on gas sold on or off the premises, the royalties shall be Three-sixteenths of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease in tot terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such
- 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 effore or after the completion of wells. Drilling operations on or production from any part or 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; principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.
- 9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
- 10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

proportion that the desired visites, it relates to your relates to the second visites and the second visites are se	
Executed the day and year first above written.	

Miriam	Ρ.	Christopher

STATE OF ILLINOIS	§		
COUNTY OF	§ §		
This instrument was act Miriam P. Christopher.	knowledged before me on the	day of	, 2002 by
My Commission Expires			
	Notary Pu Printed N	ublic, State of I	Illinois

PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

Lease Name:	CHAMBERS			Well No.:		E BAR, NORTH (WOLF E BAR, NE (STRAWN)	CAMP)
Well Location:		X 990' FSL & 1100' FEL)	Legal: SEC	FION 7, T16S, R36E		
County:	LEA		State: NM	Prop Depth:	11,400 feet	AFE No.:	
Obj./ Form.	DRILL VERTICA	L. KO HORIZONTAL. CO	OMPLETE AND EQUIP		PUMPING OIL WELL, MD 13		
		CATEGORY			DRILL VERT & TEST	RUN CSG DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES:	eaton, pits & survey	\$25,000	Damages \$5,000		000 000		#10 AAA
Contract Drlg -	Mobilization	,	-		\$30,000 \$30,000		\$30,000 \$30,000
Contract Drig - Contract Drig -		35.0 days @	\$9,200 /day \$9,200 /day		\$322,000	\$119,600	\$322,000 \$119,600
Contract Drlg - Bits	Footage	feet @	/foot		\$0 \$65,000	\$45,000	\$110,000
Fuel & Power	\$42,300	Water \$15,000	,		\$42,000	\$15,300	\$57,300
Completion Rig Cement Surface	\$5,500	ays @ \$2,100 / Cement Intermediate	\$20,000		\$25,500	\$12,600	\$12,600 \$25,500
Cement Produc Casing Tools at		\$30,000			\$5,500	\$30,000 \$7,000	\$30,000 \$12,500
P & A Open Hole Log					\$8,000		\$8,000
Mud Logging	\$16,000	Coring			\$18,000 \$16,000		\$18,000 \$16,000
Cased Hole Log Perforating		pen-hole completion				\$10,000 \$0	\$10,000 \$0
DST/Testing Stimulation - A	cid	\$15,000 Stimulation	1 - Fracture	\$0	\$16,000	\$15,000	\$16,000 \$15,000
Special Service	es D	irectional Services, Motor	s, MWD		\$85,000	\$65,000	\$150,000
Rentals - Surfac Rentals - BHA	Equipment W	otating Head, Gas Sep., He hipstock, Pkrs., X-overs,			\$7,500 \$5,000	\$2,500 \$5,000	\$10,000 \$10,000
Rentals - Miscellaneous	Drill Pipe Rentals F	\$15,000 Tubing _ rac Tanks	BOP/CK	\$3,500	\$2,500	\$18,500 \$2,500	\$18,500 \$5,000
Mud & Chemic Rig Supervision	cals		_:II 13	Commission	\$30,000	\$10,000	\$40,000
Trucking	ii <u>3300.00</u> //		13	_Complete	\$18,500 \$4,000	\$6,500 \$4,000	\$25,000 \$8,000
Insurance Overhead	<u>\$250.00</u> /	day37_[Drill 19	Complete	\$9,500 \$9,250	\$4,750	\$9,500 \$14,000
	nt - Intangible Installatio ent - Intangible Installatio			-	\$2,500	\$4,500 \$7,500	\$7,000 \$7,500
Contingencies	-	10.0% of Total			\$75,200	\$38,500	\$113,700
TOTAL INTA	ANGIBLES				\$826,950	\$423,750	\$1,250,700
TANGIBLES:							
Well Equipmer Surface Casing	nt - Non Controllable						
450 f	ft of 13-3/8 LS	OD, <u>48</u>	#/ft, @ \$18.00	_ / foot	\$8,100		\$8,100
	ft of8-5/8"	OD, 24 & 32	#/ft, @\$11.50	_ / foot	\$56,350		\$56,350
Producting Cas 11,400 f	sing - ft of 5-1/2"	OD, 17 & 20	#/ft, @ \$9.00	/ foot		\$102,600	\$102,600
Liner - 300 f	ft of 4" FJ	OD, 12.9		/ foot		\$1,950	
Tubing -			- 	_			\$1,950
11,400 Rods -	ft of2-7/8"	OD, <u>N-80 6.5</u>	#/ft, @\$3.85	_ / foot		\$43,890	\$43,890
	ft of 1.2" FG ft of 7/8" & 1.5"	OD, OD,		_ / foot / foot		\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit Subsurface Pu	/ Motor A	API Size 640 Used	Motor HP	50		\$45,000	\$45,000
Other Control	Subsurface					\$5,000 \$2,500	\$5,000 \$2,500
Wellhead Equi Lease Equipme	ipment ent - Non Controllable	\$7,000 Tbg Head_	\$10,000 Valves	\$4,500	\$7,000	\$14,500 \$1,500	\$21,500 \$1,500
Separators Flowlines	\$2,500 1,500	Treaters \$3,000 ft of 3" Steel	Dehyd OD, @ \$3.50	_ / foot	······································	\$5,500 \$5,250	\$5,500 \$5,250
Tanks		2 - 500 Bbl O				\$8,000	\$8,000
Compressors	ent/Meter Runs, etc.					\$5,000	\$5,000 \$0
Pumps Electrical Syst	tems 3	Poles, slack span, meter l	оор			\$3,500	\$0 \$3,500
Fittings Other Control	Lease Equipment	POC	•			\$4,500 \$3,500	\$4,500 \$3,500
TOTAL TAN	• •				\$71,450	\$280,790	\$352,240
TOTALTAN	GIBLES				3/1,430	3280,790	3352,240
TOTAL WELL O	COST COMPLETED				\$898,400	\$704,540	\$1,602,940
REMARKS:	See Attached Dri	lling Prognosis For Details	<u> </u>				
_	Drill 17-1/2" surf	ace hole to 450' and set 13	-3/8" casing. Drill 11" i		4,900' and set 8-5/8" casing. luate Wolfcamp & Strawn (D&T	costs)	
	PB & set 5-1/2" o	asing at 11,200'. DO & K	O Horiztl. Drill to TVD		50' to specific BHL per detail.		
		FJ liner, acidize and equip	W/ BPU II required.				
Prepared By:	M. Stewart	Initials:			Title: Engineer	Date: _	04/19/02
Approval Company:		Ву:			Title:	Date:	
Share %:	100,0000%		Net \$ Amo	ount:	\$1,602,940		

PERMIAN RESOURCES, TNC.

April 12, 2002

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

RE: CHAMBERS PROSPECT

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

Dear David:

County records indicate that you own a .4523857% Mineral Interest in the referenced tract, which equates to .36190856 net acres. I am willing to offer \$100.00 per net acre bonus consideration, a 3/16th 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.

Please let me know your thoughts regarding this matter.

Sincerely,

William L. Porter, C Land Manager

OIL & GAS LEASE

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

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

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

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

- 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
- 3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, Three-sixteenths of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of Three-sixteenths of the gas used, provided that on gas sold on or off the premises, the royalties shall be Three-sixteenths of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid 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 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 and it shall be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalty which is made in a bona file attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheles
- 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 setate 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 hereuader 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 ac David R. Marshall.	knowledged before me on the	day of	, 2002 by	
My Commission Expires				
	Notary Printed N	ublic, State of Vermont		

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PERMIAN RESOURCES, INC. DRILL & COMPLETION DETAILED COST ESTIMATE

•

Lease Name:	CHAMBERS			Wel	l No.:		DE BAR, NORTH (WOLFC) DE BAR, NE (STRAWN)	AMP)
Well Location:	SE/4 SE/4 (APP)	ROX 990' FSL & 110	00' FEL)		Legal: SECTION	7, T16S, R36E		
County:	LEA		State:	NM P	rop Depth:	11,400 feet	AFE No.:	
Obj./ Form.		'AL KO HORIZON'				IPING OIL WELL, MD 13		
00,1	2.,,,25, -2,,,,2				. <u></u>		RUN CSG	
		CATEC	ORY		·	DRILL VERT & TEST	DRLG HORIZ COMPLETE	TOTAL
INTANGIBLES:							•	
Build roads, locate Contract Drlg - M	•	\$25	,000 Damages	\$5,000		\$30,000 \$30,000		\$30,000 \$30,000
Contract Drlg - Da	ay work	35.0 days		•		\$322,000		\$322,000
Contract Drig - Da Contract Drig - Fo		13.0 days feet	@ <u>\$9,200</u> @	/day /foot		\$0	\$119,600	\$119,600 \$0
Bits Fuel & Power	\$42,300	Water \$15	,000			\$65,000 \$42,000	\$45,000 \$15,300	\$110,000 \$57,300
Completion Rig	6	days @\$2	,100 /day	60 0 000			\$12,600	\$12,600
Cement Surface Cement Productio	\$5,500 on	Cement Intern \$30,000	nediale	\$20,000		\$25,500	\$30,000	\$25,500 \$30,000
Casing Tools and P & A	Crews				1	\$5,500 \$8,000	\$7,000	\$12,500 \$8,000
Open Hole Loggii		a <i>i</i>				\$18,000		\$18,000
Mud Logging Cased Hole Loggi	\$16,000 ing	Coring				\$16,000	\$10,000	\$16,000 \$10,000
Perforating DST/Testing		open-hole completion	n			\$16,000	\$0	\$0 \$16,000
Stimulation - Acid	d		mulation - Fracture		\$0		\$15,000	\$15,000
Special Services Rentals - Surface		Directional Services Rotating Head, Gas				\$85,000 \$7,500	\$65,000 - \$2,500	\$150,000 \$10,000
Rentals - BHA Ed Rentals -	quipment Drill Pipe	Whipstock, Pkrs., X \$15,000 To	-overs, Valves ubing	BOP/CK	\$3,500	\$5,000	\$5,000 \$18,500	\$10,000
Miscellaneous Re	entals	Frac Tanks	TOTAL	. BOFFER	33,300	\$2,500	\$2,500	\$18,500 \$5,000
Mud & Chemical: Rig Supervision	s \$500.00	/day	37 Drill	13_Co	mplete	\$30,000 \$18,500	\$10,000 \$6,500	\$40,000 \$25,000
Trucking Insurance						\$4,000 \$9,500	\$4,000	\$8,000 \$9,500
Overhead	\$250.00		37 Drill	19_Co	mplete	\$9,250	\$4,750	\$14,000
	 Intangible Installa Intangible Installa 					\$2,500	\$4,500 \$7,500	\$7,000 \$7,500
Contingencies @)	10.0% of To	al			\$75,200	\$38,500	\$113,700
TOTAL INTAN	GIBLES					\$826,950	\$423,750	\$1,250,700
TANGIBLES:								
Well Equipment - Surface Casing -	- Non Controllable			•				
450 ft o	of 13-3/8 LS	OD,	48 #/ft, @	\$18.00 / 6	oot	\$8,100		\$8,100
4,900 ft c	of 8-5/8"	OD, <u>24</u>	& 32 #/ft, @	\$11.50 / f	oot	\$56,350		\$56,350
Producting Casin 11,400 ft o	-	OD, 13	<u>/ & 20</u> #/ft, @	\$9.00 / i	Foot		\$102,600	\$102,600
Liner - 300 fl c	of 4"FJ	OD,	12.9 #/ft, @	\$6.50 /1	Toot		\$1,950	\$1,950
Tubing - 11,400 ft c	of 2-7/8"		80 6.5 #/ft, @	\$3.85/1			\$43,890	
Rods -	<u> </u>		60 0.5 Will, 169					\$43,890
6,600 ft c		OD, OD,		\$3.00 / 1 \$2.00 / 1			\$19,800 \$8,800	\$19,800 \$8,800
Pumping Unit / N Subsurface Pump		API Size 640 U	sed	_ Motor HP	50		\$45,000 \$5,000	\$45,000 \$5,000
Other Control Su	ibsurface	## 000 TT	. 17	37.3	*****		\$2,500	\$2,500
Wellhead Equipr Lease Equipment	nent t - Non Controllable		3 Head\$10,000	_ Valves	\$4,500	\$7,000	\$14,500 \$1,500	\$21,500 \$1,500
Separators Flowlines	\$2,500 1,500		3,000 Dehyd "Steel OD, @	\$3.50 /	foot		\$5,500 \$5,250	\$5,500 \$5,250
Tanks	/Meter Runs, etc.		0 Bbl Oil Tanks Us	ed			\$8,000 \$5,000	\$8,000 \$5,000
Compressors	Avietor Runs, etc.							\$0
Pumps Electrical System	ns	3 Poles, slack span.	meter loop				\$3,500	\$3,500
Fittings Other Control Le	ease Equipment	POC					\$4,500 \$3,500	\$4,500 \$3,500
TOTAL TANG						\$71,450	\$280,790	\$352,240
TOTALTANG	IDDES					371,430	9200,170	3032,270
TOTAL WELL CO	ST COMPLETED)				\$898,400	\$704,540	\$1,602,940
REMARKS:	See Attached I Drill 17-1/2" s	Drilling Prognosis Fo urface hole to 450' ar	r Details id set 13-3/8" casin	g. Drill II" inter	mediate hole to 4.900	0' and set 8-5/8" casing.		
	Drill 7-7/8" pro	oduction hole to 10,0	00', KO build angle	and drill to 11,4	00' log and evaluate	Wolfcamp & Strawn (D& specific BHL per detail.	T costs).	
		4" FJ liner, acidize ar			סן מככינו חואו יחסר	specific Dritt per detail.		
Prepared By:	M. Stewart	I:	nitials:		Ті	tle: Engineer	Date:	04/19/02
Approval				رے			•	
Company:			Ву:	·····	T	tle:	Date:	
Share %:	100.0000	/s		Net \$ Amount	i:	\$1,602,940		