

PRIDE ENERGY COMPANY

(918) 524-9200 ♦ Fax (918) 524-9292 ♦ www.pride-energy.com

Physical Address: Kensington Tower
2250 East 73rd Street, Suite 550
Tulsa, OK 74136

Mailing Address: P.O. Box 701950
Tulsa, OK 74170-1950
Email Address: johnp@pride-energy.com

April 26, 2004

Stagner

Attn: Lori Wrotenbery
Director
Oil Conservation Division
Energy, Minerals, and Natural Resources Department
State of New Mexico
PO Box 6429
Santa Fe, NM 87505

MC

RE: Case No. 13153
Order No. R-12108
W1/2 of Section 12-T12S-R34E
State "X" #1 Well
Lea County, NM

Ms. Wrotenbery:

In reference to the above order of the Division, please find enclosed copies of the letter and itemized schedule of estimated costs of re-entering, cleaning out, completing, and equipping the subject well, which were mailed to the four working interest owners, on March 9, 2004, certified mail, return receipt.

After thirty days have elapsed from the date they receive their letter, we will notify the Division in writing of each of the working interest owner's election to either participate or to go non-consent.

If you have any questions, please feel free to contact me at 918-524-9200.

Sincerely,

John W. Pride

John W. Pride
Pride Energy Company

Certified Mail, Return Receipt #7003.1010.0005.1685.6641

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March 9, 2004

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

RE: State "X" #1 – 1,980' fml & 660' fwl
W ½ of Section 12, Township 12 South, Range 34 East
Lea County, New Mexico


Gentlemen:

In reference to the above, and in accordance to the order of the State of New Mexico Oil Conservation Division in Case No. 13153, Order No. R-12108, please find enclosed an itemized schedule of estimated costs of re-entering, cleaning out, completing and equipping the subject well.

Enclosed are two copies of our Authorization for Expenditure reflecting estimated costs of \$230,780 for a dry hole and \$659,130 as a completed well. If you elect to participate, please remit your proportionate share of the estimated well costs within thirty (30) days from receiving this letter, along with the signed AFE. If you elect not to participate and not to pay your proportionate share of the estimated well costs, your interest shall be deemed non-consent.

If you have any questions, please feel free to contact me at 918-524-9200.

Sincerely,



John W. Pride
Pride Energy Company

Certified Mail, Return Receipt #7003.1010.0005.1685.6504

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March 9, 2004

Yates Drilling Company
105 South 4th Street
Artesia, NM 88210-2118

RE: State "X" #1 – 1,980' fnl & 660' fwl
W ½ of Section 12, Township 12 South, Range 34 East
Lea County, New Mexico

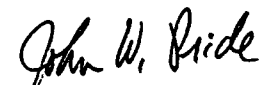
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March 9, 2004

Abo Petroleum Corporation
105 South 4th Street
Artesia, NM 88210-2118

RE: State "X" #1 – 1,980' fnl & 660' fwl
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Lea County, New Mexico

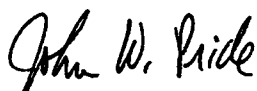
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March 9, 2004

Myco Industries Inc.
105 South 4th Street
Artesia, NM 88210-2118

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W ½ of Section 12, Township 12 South, Range 34 East
Lea County, New Mexico

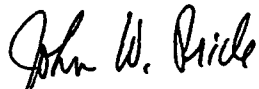
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2250 E 73rd Street, Suite 550
Tulsa OK 74170-1950
918-524-9200 Office
918-524-9292 Facsimile

Authorization for Expenditure
March 8, 2004

Proposed Depth: 13,019 Feet
Primary Objectives: Aloka/Morrow &/or Austin Cycle Miss.

State "X" #1

C SW/4 NW/4
Section 12-12S-34E
Lea County, New Mexico

Drilling Intangibles

Water, Fresh	10	days at	\$	500	per day	\$	5,000.00
Location and Road						\$	10,000.00
Drilling Rig						\$	81,000.00
	Daywork	10	days at	\$	8,100	\$	30,000.00
	Mobilization					\$	10,000.00
	Fuel	10	gpd at	\$1,000.00	per day	\$	11,000.00
Bits	2	bits	\$	5,500	per bit	\$	10,000.00
Mud, Chemicals and Drayage						\$	5,000.00
Mud Disposal						\$	21,000.00
Open Hole Logging	3000	feet at	\$	7.00	per foot	\$	4,000.00
Equipment Rental	10	days at	\$	400	per day	\$	-
Cementing, Intermediate						\$	-
Casing Crews, Intermediate						\$	4,000.00
Trucking						\$	2,000.00
Other Services						\$	8,000.00
Geological/Engineering						\$	5,000.00
Administrative Overhead						\$	20,600.00
Contingency						10%	\$
Total Drilling Intangibles							\$ 226,600.00

Drilling Tangibles

Wellhead Equipment						3,000 psi wp	\$ 3,000.00
Float Equipment							\$ 800.00
Contingency						10%	\$ 380.00
Total Drilling Tangibles							\$ 4,180.00

Completion Intangibles

Location & Road							\$ 4,000.00
Casing Crew, Production							\$ 8,000.00
Cementing, Production							\$ 28,000.00
Completion Rig	6	days at	\$	3,000	per day		\$ 18,000.00
Perforating, GR-CBL, Cmt. Retainer							\$ 35,000.00
Formation Treatments							\$ 85,000.00
Equipment Rentals	6	days at	\$	300	per day		\$ 1,800.00
Water or Diesel							\$ 3,000.00
Supplies							\$ 2,000.00
Trucking							\$ 3,000.00
Roustabout Work	3	days at	\$	1,000			\$ 3,000.00
Other Services							\$ 3,000.00
Engineering and Supervision	8	days at	\$	800	per day		\$ 6,400.00
Administrative Overhead							\$ -
Contingency						10%	\$ 20,020.00
Total Completion Intangibles							\$ 220,220.00

Completion Tangibles

Production Casing 5 1/2"	13019	feet at	\$	8.00	per foot	17 ppf & 20 ppf	\$ 104,152.00
Float Equipment							\$ 2,000.00
Wellhead Equipment						5,000 psi wp	\$ 8,000.00
Production Tubing 2 7/8"	13019	feet at	\$	3.00	per foot	8.5 ppf, N-80, EUE, 8 rd thd	\$ 39,057.00
Downhole Equipment							\$ 10,000.00
Production Equipment							\$ 25,000.00
Flowlines							\$ 1,000.00
Contingency						10%	\$ 18,920.90
Total Completion Tangibles							\$ 208,129.90

Approved

Company

Date

Dry Hole Cost:

Completion Cost:

Total Completed Well Cost: